

PCS EDVENTURES COM INC
Form 10QSB
February 12, 2008

United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period
From _____ To _____

Commission File No. 000-49990

IDAHO
(State or Other Jurisdiction of
incorporation or organization)

82-0475383
(I.R.S. Employer Identification No.)

PCS EDVENTURES!.COM, INC.

(Name of Small Business Issuer in its charter)

345 Bobwhite Court, Suite 200

Boise, Idaho 83706

(Address of Principal Executive Offices)

Issuer's Telephone Number: (208) 343-3110

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

Check whether the Registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

36,008,354

February 5, 2008

Transitional Small Business Disclosure Format (Check One): Yes [] No [X]

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of the Registrant required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	ASSETS	
	December 31, 2007	March 31, 2007
	(unaudited)	
CURRENT ASSETS		
Cash	\$202,097	\$47,763
Accounts receivable, (NET)	1,116,647	126,750
Prepaid expenses	10,442	24,719
Deferred costs	103,899	49,277
Finished goods inventory (NET)	163,624	169,687
Other receivable	6,351	236,789
Total Current Assets	1,603,060	654,985
LONG-TERM ASSETS		
Fixed Assets (NET) (Note 3)	38,015	71,601
Educational Software (NET) (Note 4)	66,230	77,924
Intellectual Property (NET) (Note 5)	131,250	194,007
Goodwill (Note 6)	485,238	485,238
Total Long-term Assets	720,733	828,770
OTHER ASSETS		
Other	6,817	-
Equity Investment (Note 7)	250,000	-

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Deposits	7,371	7,371
Total Other Assets	264,188	7,371
TOTAL ASSETS	\$2,587,981	\$1,491,126

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Consolidated Balance Sheets

LIABILITIES & STOCKHOLDERS' EQUITY

December 31, 2007 March 31, 2007

(unaudited)

CURRENT LIABILITIES

Accounts payable and other current liabilities	\$	177,729	\$	230,332
Accrued compensation		54,747		11,629
Payroll liabilities payable		13,817		6,606
Accrued interest		-		13,186
Accrued expenses (Note 8)		14,165		23,087
Unearned revenue		190,871		122,825
Notes payable - related party (Note 9)		-		116,423
Notes payable (NET) (Note 10)		32,285		258,455
Total Current Liabilities		483,614		782,543

COMMITMENTS AND CONTINGENCIES (Note 11)

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STOCKHOLDERS' EQUITY (Note 12)

Preferred stock, no par value, 20,000,000 authorized shares, no shares issued and outstanding		-		-
Common stock, no par value, 60,000,000 authorized shares, 36,482,273 and 33,865,752 shares issued and outstanding as of 12/31/07 and 3/31/07, respectively		30,288,728		28,386,057
Accumulated comprehensive loss		7,246		(17,902)
Accumulated deficit		(28,191,607)		(27,659,572)
Total Stockholders' Equity		2,104,367		708,583
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	2,587,981	\$	1,491,126

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
REVENUES				
Lab revenue	\$ 1,359,455	\$ 412,489	\$ 2,602,817	\$ 1,370,919
License revenue	65,081	37,956	128,511	145,229
Total Revenues	1,424,536	450,445	2,731,328	1,516,148
COST OF SALES				
	627,185	215,172	1,241,575	664,300
GROSS PROFIT				
	797,351	235,273	1,489,753	851,848
OPERATING EXPENSES				
Salaries and wages	230,070	179,628	670,586	620,228
Bad debt expense	5,029	-	15,943	-
Depreciation and amortization expense (Note 13)	43,881	37,543	131,119	831,950
Option/warrant expense	100,756	112,112	359,082	323,910
General and administrative expenses	259,096	907,984	730,485	1,444,600
Total Operating Expenses	638,832	1,237,267	1,907,215	3,220,688
OPERATING INCOME (LOSS)				
	158,519	(1,001,994)	(417,462)	(2,368,840)
OTHER INCOME AND EXPENSES				
Interest income	8,411	336	14,833	1,425
Interest expense	(201)	(15,603)	(4,016)	(26,605)
Other income	-	-	-	15,011
Other expense	(471)	-	(8,229)	(3,785)
Gain on extinguishment of debt	2,500	-	11,917	-
Total Other Income and Expenses	10,239	(15,267)	14,505	(13,954)
NET INCOME (LOSS)				
	168,758	(1,017,261)	(402,957)	(2,382,794)
Foreign currency translation	(5,490)	9,769	(8,993)	14,137
NET COMPREHENSIVE INCOME (LOSS)	\$ 163,268	\$(1,007,492)	\$ (411,950)	\$ (2,368,657)

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Basic Earnings (Loss) per Share	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
			\$ (0.03)	
Basic Earnings (Loss) per Share, Diluted	\$ (0.02)	\$ (0.06)		\$ (0.10)
Weighted Average Number of Shares Outstanding	28,126,754	27,756,654	31,847,835	28,768,864

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended	
	December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (402,957)	\$ (2,382,794)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	108,037	76,486
Amortization of debt offering and capitalized costs		756,334
Common stock issued for services and notes payable	5,666	756,209
Amortization of fair value of stock options issued and vesting	366,656	422,189
Amortization of costs related to repricing of warrants	20,342	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,246,714)	314,054
(Increase) decrease in inventories	6,063	(9,256)
(Increase) decrease in deferred costs	(54,621)	(22,768)
(Decrease) in accounts payable and accrued liabilities	15,381	(306,360)
Increase (decrease) in unearned revenue	68,046	7,095
(Increase) decrease in other assets	115,188	11,202
Net Cash Provided (Used) by Operating Activities	(998,913)	(377,609)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payment for notes receivable	-	-
Loss on sale of assets	-	3,758
Net Cash Provided (Used) by Investing Activities	-	3,758
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(86,472)	(95,163)
Proceeds from notes payable	(139,697)	235,750
Proceeds from exercise of warrants and stock options	1,353,515	7,400
Net Cash Provided (Used) by Financing Activities	1,127,346	147,987
Foreign currency translation	25,900	(16,206)

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Net Increase (Decrease) in Cash	154,333	(242,070)
Cash at Beginning of Year	47,764	297,239
Cash at End of Year	\$ 202,097	\$ 55,169

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	For the Nine Months Ended	
	December 31,	
	2007	2006
NON-CASH INVESTING & FINANCING ACTIVITIES:		
	\$	\$
Purchase of assets for stock	-	225,000
CASH PAID FOR:		
Interest	\$4,016	\$25,580
Income taxes	-	-

The accompanying notes are an integral part of these consolidated financial statements.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

December 31, 2007 and December 31, 2006

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The condensed consolidated financial statements include the results of PCS Edventures!.com, Inc. and its subsidiaries. The subsidiaries include PCS School, Inc. and PCS LabMentors, LTD., which the Company acquired in October 1994 and November 2005, respectively. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements and presented on an unaudited basis. Although management believes the disclosures and information presented are adequate not to make the information misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its March 31, 2007 Annual Report on Form 10-KSB, which is on file with the SEC.

The operating results for the three-month or nine-month periods ended December 31, 2007 and December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using Generally Accepted Accounting Principles applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have an established source of revenues sufficient to cover its current operating costs. The Company has recently increased its cash position and reduced its liabilities as compared to prior periods to assist in demonstrating its ability to continue as a going concern. In addition, the Company has accumulated significant losses during previous operating years. All of these items raise substantial doubt about the Company's ability to continue as a going concern, but are partially offset by the recent improved cash and liability positions. Management's plans with respect to alleviating the adverse financial conditions, which may cause some doubt about the Company's ability to continue as a going concern, are as follows:

During the fiscal quarter ending December 31, 2007, the Company continued to strengthen its strategic alliances with fischertechnik®, Lego®, S & L Manufacturing, Flexitoy's Corporation, Science Demo, and several curriculum writers

throughout the United States for further product development and enhancement to existing curriculum. To date, the Company has continued to develop marketplace strategy for the US market, as well as the international market, through exhibits at trade shows, enhanced marketing material, and cooperative marketing with several of our vendors. Furthermore, the Company continued to discuss potential acquisitions with companies that will provide synergies to existing products, increase revenues, and provide access to many of the emerging educational markets, both domestically and internationally.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

December 31, 2007 and December 31, 2006

NOTE 3 - FIXED ASSETS

Assets and depreciation for the period are as follows:

	December 31, 2007
Computer/office equipment	\$ 24,580
Server equipment	91,965
Accumulated depreciation	(78,530)
Total Fixed Assets	\$ 38,015

NOTE 4 - EDUCATIONAL SOFTWARE

Educational software was purchased by the Company as a part of the acquisition of 511092 N.B. LTD. and consists of internally developed education computer programs and exercises to be accessed on the Internet. In accordance with FAS 86, the costs associated with research and initial feasibility of the programs and exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and exercises are capitalized until they are ready for sale and access and are reported at the lower of unamortized cost or net realizable value. Capitalized program and exercise inventory are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 42 to 48 months. This educational software had a carrying value of \$77,924 at March 31, 2007 with a total of \$11,694 of related depreciation recognized during the nine-month period ended December 31, 2007, with a resulting carrying value of \$66,230 at December 31, 2007.

NOTE 5 - INTELLECTUAL PROPERTY

Intellectual property consists of capitalized costs associated with the development of the Internet software and delivery platform developed by PCS LabMentors to enable access to the various educational programs and exercises developed by the Company, as well as the PCS STEPS® program acquired during fiscal year 2007, as outlined in the section entitled "Status of any publicly announced new product or service" in the Annual Report on Form 10-KSB filed with the SEC on June 29, 2007. In accordance with FAS 86, the initial costs associated with researching the

delivery platform and methods were expensed until economic feasibility and acceptance were determined. Thereafter, costs incurred to develop the Internet online delivery platform and related environments were capitalized until ready for use and able to deliver and access the Company's educational programs and exercises. Costs incurred thereafter to maintain the delivery and access platform are expensed as incurred. These capitalized costs are being amortized on a straight-line basis over the estimated useful life of the Company's delivery and access platform, which has been determined to be 60 months. This intellectual property had a carrying value of \$194,007 at March 31, 2007.

Amortization recognized for the nine-month period ended December 31, 2007 was \$62,757, with a carrying value of \$131,250 at December 31, 2007.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

December 31, 2007 and December 31, 2006

NOTE 6 - GOODWILL

The entire goodwill balance of \$485,238 at December 31, 2007, which is not deductible for tax purposes due to the purchase being completed through the exchange of stock, is related to the Company's acquisition of PCS LabMentors in December 2005. Included within this amount of goodwill is \$135,658 of costs associated with the acquisition. The capitalized costs are for accounting, consulting, and legal fees associated with the transaction. With the acquisition of PCS LabMentors, the Company gained LabMentors' significant interest in the technical college market and increased the products available to educational outlets. The Company also obtained the information technology and programming expertise of LabMentors' workforce, gained additional cost optimization, and gained greater market flexibility in optimizing market information and access to collegiate level sales.

The provisions of SFAS 142 require that a two-step impairment test be performed annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step of the test for impairment compares the book value of the Company to its estimated fair value.

We undertook an impairment review at the end of the fiscal year ended March 31, 2007. After reviewing current operating losses and future growth potential of the subsidiary, the Company determined that no impairment was created. The basis for this determination included the growth of existing clients since the end of the fiscal year, conversations with potential customers for the upcoming year, the proven record since a bank account was established for the Company to sustain operations for the foreseeable future, as well as the added economies of scale the subsidiary has added to the Company as a whole, including several technical performance enhancements supplied by LabMentors to supplement the core capabilities of PCS, such as creation of added internet service bandwidth and associated signal routing capabilities not known to the technical people at PCS; locating and managing a demonstration server on their system for a wide variety of PCS products; and assisting technical people from PCS and E2S in the creation and management of a server to host the PCS STEPS® product. In conclusion, the Company felt and still feels that LabMentors brought more than a cutting edge product to PCS, but the acquisition also brings vertical integration and technology not previously known by PCS.

NOTE 7 EQUITY INVESTMENT

On October 1, 2007, PCS Edventures!.com (hereinafter PCS) entered into a Promissory Note (hereinafter Note) agreement with Mohammed Yasser Refai and Global Techniques collectively dba PCS Middle East (hereinafter PCSME). The Note had a maturity date of December 31, 2007. There was an extension provision in the Note that

would allow PCS to allow for an additional one-month period of time in which to collect payment provided that PCS would receive documentation satisfactory to Lender (PCS) that PCS Middle East, the Saudi Arabian company (Saudi Company), have entered into a binding and enforceable contract (with) the Minister of Education. On December 31, 2007, PCSME neither repaid the Note in full nor provided sufficient documentation, which could be made public, to PCS to satisfy the terms of the Note. As such, PCS placed PCSME in default of the Note.

The Note was converted to an equity investment as of December 31, 2007. In accordance with APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (hereinafter Opinion No. 18), the cost-method has been utilized to record the equity investment. The equity-method was also considered as the Company has gained a twenty-five percent (25%) interest in PCSME. However, in accordance with FIN 35, *Criteria for Applying the equity Method of Accounting for Investments in Common Stock* (hereinafter FIN35), management has exercised its right to determine how to record the equity investment. The decision was based on management s knowledge that the majority of PCSME s ownership is concentrated among a small group of shareholders who operate PCSME without regard to the views of PCS.

NOTE 8 -ACCRUED EXPENSES

Accrued expenses are made up of credit card debt of \$14,165 at December 31, 2007.

NOTE 9 - NOTES PAYABLE - RELATED PARTY

Notes payable - related party, including associated interest, was converted from debt to equity during the fiscal quarter ended June 30, 2007.

NOTE 10 - NOTES PAYABLE

Notes payable are made up of the following at December 31, 2007:

Notes payable to a Canadian governmental agency bearing no interest, with payments due the 1st of each month, unsecured	\$	32,285
Total Notes Payable	\$	32,285

NOTE 11 - COMMITMENTS AND CONTINGENCIES

a. Operating Lease Obligation

The Company leases its main office under a non-cancelable lease agreement accounted for as an operating lease. The lease expires in June 2012.

Fiscal Year	Monthly Obligation
2008	\$10,050
2009	\$10,350
2010	\$10,650
2011	\$10,950
2012	\$11,250

Rent expense for the corporate offices was \$74,389 and \$65,250 for the nine-month ended December 31, 2007 and 2006, respectively, under this lease arrangement.

The Company leases warehouse space close to its headquarters. The lease expires in February 2008. The monthly rental obligation is approximately \$1,500 for total lease payments remaining of \$3,000. Rent expense was approximately \$13,500 and \$7,000 for the nine-month ended December 31, 2007 and 2006, respectively. The Company intends to renew the lease upon expiration.

The Company leases office space for its subsidiary in Canada. This lease is a month-to-month lease that may be cancelled at any time. The monthly rental obligation is approximately \$1,100 each month. The Company intends to continue to lease this space on a month-to-month basis. Rent expense was approximately \$6,600 for the nine-month period ended December 31, 2007 and 2006.

b. Litigation

None; not applicable.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

December 31, 2007 and December 31, 2006

NOTE 12 - STOCKHOLDERS' EQUITY

The Stockholders' Equity Section increased during the quarter due to the following transactions:

During the quarter ended December 31, 2007, the Company issued 12,048 shares of common stock as compensation to an employee valued at approximately \$10,000.

During the quarter ended December 31, 2007, the Company issued 22,805 shares of common stock to an employee as compensation valued at approximately \$18,700.

During the quarter ended December 31, 2007, the Company issued 2,810 shares of common stock as payment of accounts payable to two vendors valued at approximately \$3,400.

During the quarter ended December 31, 2007, the Company issued 460,000 shares of common stock for the exercise of a warrant agreement to an investor valued at approximately \$312,800.

During the quarter ended December 31, 2007, the Company issued 40,000 shares of common stock for the exercise of a stock option agreement to an employee valued at approximately \$21,000.

During the quarter ended December 31, 2007, the Company issued 6,919 shares of common stock for the exercise of a stock option agreement to a former contract employee valued at approximately \$4,900.

Some of the transactions listed above were a result of the Company's adoption of SFAS 123(R)(see next paragraph). The value of the stock options granted during the current quarter was properly accounted for under the stockholders' equity section because the Company's stock has no par value.

The Company accounts for stock-based employee compensation in accordance with SFAS 123(R) (revised 2004) "Share-Based Payment." SFAS No. 123(R) requires employee stock-based compensation to be measured based on the fair value as of the grant-date of the awards and the cost is to be recognized over the period during which an employee is required to provide services in exchange for the award. Historically, the company used the intrinsic method of valuation as specified in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations and accordingly no compensation cost had been recognized for stock options in prior years. This pronouncement eliminates the alternative use of Accounting Principles Board (APB) No. 25, wherein the intrinsic value method of accounting for awards is used. As a result of adopting the fair value method for stock compensation, all future awards and current awards vesting in future periods will be expensed over the stock options' vesting period as defined in its contract award. The Company adopted this provision during the fiscal year ended March 31, 2007.

A summary of the status of the Company's outstanding stock options and warrants as of December 31, 2007 is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	10,321,790	\$ 0.98
Granted	461,139	\$ 1.10
Expired/Cancelled	(150,000)	\$ 0.00
Exercised	(3,602,809)	\$ 0.45
Outstanding, end of year	7,030,120	\$ 0.76
Exercisable	5,906,620	\$ 0.72

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

December 31, 2007 and December 31, 2006

NOTE 13 DEPRECIATION AND AMORTIZATION EXPENSE

During the nine-month period ended December 31, 2006, the Company had depreciation and amortization expense of \$131,119. This amount was composed of depreciation related to fixed assets, as well as the amortization of Warrant A and Warrant B expenses of \$666,667. The warrants were fully amortized as of December 31, 2006. Thus, the decrease in depreciation and amortization expense during the period ended December 31, 2007 was due to the lack of the warrant amortization. The full expense of \$131,119 was related to depreciation of fixed assets for the nine-month period ended December 31, 2007.

NOTE 14 - SUBSEQUENT EVENTS

On January 7, 2008, the Company filed Form 8K related to Item 1.02 of the SEC for Termination of Material Definitive Agreement. On October 1, 2007, the Company entered into a Non-Interest Bearing Promissory Note and Assignment of Equity (hereinafter Note) with Global Techniques dba PCS Middle East and Mohammed Yasser Refai (hereinafter Borrowers). The Note was due on December 31, 2007. If the Note was not paid by December 31, 2007, Borrowers could provide documentation acceptable to PCS showing that Borrowers had entered into a contract with the Ministry of Education. On December 31, 2007, satisfactory documentation was not provided to the Company. The Company is in the process of perfecting its security interest with Borrowers.

Item 2. Management's Discussion and Analysis or Plan of Operation.

Overview.

PCS Edventures!.com, Inc. (the "Company," "PCS," "we," "our," "us" or similar words) was incorporated in 1994 in the State of Idaho. In October 1994, we acquired PCS Schools, Inc. ("PCS Schools"), which was later divested to focus our efforts on educational systems for use in classrooms instead of free standing learning centers. In November 2005, we acquired PCS LabMentors, Ltd. based in Fredericton, New Brunswick, Canada, which is a wholly owned subsidiary of PCS Edventures!.com, Inc.

PCS LabMentors is the exclusive provider of a proprietary virtual lab technology, which is designed to provide hands-on experience to high school through college students studying a variety of technical topics. These technical topics include programming, network management, security, and operating systems. LabMentors' technology provides students with the ability to manage and configure any hardware/software platform remotely, through a proprietary client accessed remote server farm. Also embedded within the LabMentors system is a Learning Management System (LMS) that enables the delivery and tracking of curriculum and tasks to students. Using LabMentors' complete solution, any school or institution can offer advanced IT training topics in any number of areas such as Security+®, A+®, Vista®, Windows Server 3000®, Linux® system administration, and various other applications without the associated overhead of owning and managing various hardware platforms.

The Company is engaged in the business of developing and marketing educational learning labs bundled with related technologies and programs. Our products and technologies are targeted and marketed to public and private school classrooms for pre-kindergarten through college, after school market, and home school market. Our products and technologies are delivered to each of these markets through an inventory of hardware, software, books (both developed in-house and from external sources), and Internet access. Our technologies and products are delivered to the home user through Internet access via a subscription based website. Our products and technologies allow students ages 3 and up to explore the basic foundations of mechanical engineering, structures in architecture, robotics, mathematics, art, computer science, programming, and physical science.

The results of operations discussed herein are on a consolidated basis.

Foreign Currency Exchange Rate Risk.

The Company sells many products throughout the international market, as well as having operations in Canada as a result of the acquisition of LabMentors. As a result, our statement of cash flows and operating results could be affected by changes in foreign currency exchange rates or weak economies of foreign countries. Working capital necessary to continue operating our foreign subsidiary are held in local, Canadian currency, with additional funds

utilized through the parent company being held in U.S. dollars. Any gains or losses from the foreign currency translation are presented in our statements of operations. The LabMentors subsidiary is not a significant component of our business and as such the risk associated therewith is minimal.

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Results of Operations.

Operating Results - Overview.

The quarter ended December 31, 2007 resulted in a net income of \$163,268 as compared to the net loss during the quarter ended December 31, 2006 of (\$1,007,492). The Company has decreased its losses from the prior fiscal year, same three-month period by \$1,170,760, or approximately 116 percent (116%). The Basic Income per Share for the quarter ended December 31, 2007 is \$0.01, which is a \$0.05 increase in value per share from the quarter ended December 31, 2006 of (\$0.04) per share.

The nine-month period ended December 31, 2007 resulted in a net loss of (\$411,950) as compared to the net loss during the nine-month period ended December 31, 2006 of (\$2,368,657). The Company has decreased its losses over the prior fiscal year, same nine-month period by \$1,956,707, or approximately eighty-three percent (83%). The Basic Loss per Share for the nine-month period ended December 31, 2007 is (\$0.01), which is a \$0.07 increase in value per share from the nine-month period ended December 31, 2006 of (\$0.08) per share.

The Earnings Before Interest, Taxes, and Depreciation (EBITDA) for the nine-month period ended December 31, 2007 was approximately \$76,000, as compared to the EBITDA (Losses) for the nine-month period ended December 31, 2006 of approximately (\$570,000). The increase in EBITDA was due primarily to the increase in sales, as well as continued reduction in costs.

Details of changes in revenues and expenses can be found below.

Three-month period ended December 31, 2007, compared to three-month period ended December 31, 2006.

Revenues for the three-month period ended December 31, 2007, increased to \$1,424,536 or by approximately \$975,000, or 216 percent (216%) as compared to revenues of \$450,445 for the three-month period ended December 31, 2006. This increase was due to attendance by the sales team at additional conferences, added marketing material, and the addition of two personnel within the sales department during the first quarter resulting in increased sales in the third fiscal quarter. The Company has determined that the standard sales cycle from initial contact with a potential customer through the close of a sale is approximately six to nine months. As such, the results of implementing additional personnel and greater attendance at national conferences are being realized in the current quarter. The results of the increased effort by the sales and marketing staff will continue to be seen in the coming months.

Cost of sales for the three-month period ended December 31, 2007, increased by approximately \$410,000, or approximately 191 percent (191%) to \$627,185 as compared to the cost of sales of \$215,172 for the three-month period ended December 31, 2006. This increase was due to an increase in sales and related commission and royalty payments, as well as an increase in costs for our subsidiary. The increase in costs to the subsidiary was due to outsourcing of short-term labor requirements to make the projects more cost effective in the long-term.

Operating expenses for the three-month period ended December 31, 2007, decreased by approximately \$600,000, or forty-eight percent (48%) to \$638,832 as compared to operating expenses of \$1,237,267 for the three-month period ended December 31, 2006. This decrease this fiscal quarter was due to the lack of amortization of the Barron Partners, LP notes payable, which was fully amortized as of December 31, 2006. This amount was partially offset by an increase in options and warrants expense due to FAS 123(R).

Interest expenses for the three-month period ended December 31, 2007, decreased to \$201 as compared to \$15,603 for the three-month period ended December 31, 2006. This decrease was due to the ability of the Company to meet its payable obligations and thus not incur additional interest on balances due to vendors. Furthermore, all related party notes payable and all but one liability, which is a non-interest bearing note, have been either paid in full or converted to equity.

Nine-month period ended December 31, 2007, compared to nine-month period ended December 31, 2006.

Revenues for the nine-month period ended December 31, 2007, increased to \$2,731,328, or by approximately \$1,215,000, or eighty percent (80%) as compared to revenues of \$1,516,148 for the nine-month period ended December 31, 2006. This increase was due to attendance by the sales team at additional conferences,

added marketing material, and the addition of two personnel within the sales department. The increase in sales as a whole was partially offset by a decrease in sales of our subsidiary, which was a result of unusually high sales in the previous year.

Cost of sales for the nine-month period ended December 31, 2007, increased by approximately \$600,000, or approximately ninety percent (90%) to \$1,241,575 as compared to costs of sales \$664,300 for the nine-month period ended December 31, 2006. This increase was due to an increase in sales and related commissions and royalty payments, as well as a slight increase in costs of goods for materials within our learning labs. This increase was due to an increase in sales and related commissions, as well as an increase in costs for our subsidiary. There was also an increase in costs to our subsidiary, which was due to outsourcing of short-term labor requirements to make current projects more cost effective in the long-term.

Operating expenses for the nine-month period ended December 31, 2007, decreased by approximately \$1,315,000, or forty-one percent (41%) to \$1,907,215 as compared to operating expenses of \$3,220,688 for the nine-month period ended December 31, 2006. This decrease was due to the lack of amortization of the Barron Partners, LP notes payable in the first two quarters of fiscal year 2007, which was fully amortized as of December 31, 2006. This decrease was partially offset by an increase in options and warrants expense due to FAS 123(R).

Interest expenses for the nine-month period ended December 31, 2007, decreased to \$4,016 as compared to \$26,605 for the nine-month, period ended December 31, 2006. This decrease was due to the ability of the Company to meet its payable obligations and thus not incur additional interest on balances due to vendors. Furthermore, all related party notes payable and all but one liability, which is a non-interest bearing note, have been either paid in full or converted to equity.

Liquidity.

As of the quarter ended December 31, 2007, we had \$202,097 in Cash, with total current assets of \$1,603,060 and total current liabilities of \$483,614. We have an accumulated deficit of (\$28,191,607) and shareholders equity of \$2,104,367.

The Company has a current ratio of 3.315. The current ratio for the quarter ended December 31, 2006 was 0.324. The ratio indicates that we are able to meet most, if not all of our current obligations with the assets currently available to the Company. The notes payable in the previous fiscal year that has since been paid in full or converted to equity contributed to the increase in our current ratio. We have utilized the current ratio over a quick ratio due to the fact that most items in inventory are easily saleable should the need to liquidate arise. The Company continues to increase its current ration through cash management, collection procedures, and investments from outside firms.

The Company has working capital of \$1,119,446 at December 31, 2007. The working capital amount indicates that our ability to pay current debt obligations through our current assets is favorable. The working capital for the quarter ended December 31, 2006 was (\$1,020,132). This increase was due primarily to the notes payable in the previous fiscal year that has since been paid in full or converted to equity.

Item 3A(T). Controls and Procedures.

Management Annual Report on Internal Controls Over Financial Reporting

On June 1, 2005, the Company's Audit Committee submitted for Board approval the following policies and procedure manuals: Accounting Policies and Procedures; Internal Control Procedures; and Sarbanes-Oxley Compliance. All three manuals were reviewed and unanimously approved by the Board of Directors. In addition to formalizing the Company's already existing policies, the Accounting Policies and Procedures and the Internal Control Procedures manuals include guidelines that offer an additional level of review of financial information. Due to the small accounting staff, the Company viewed this as an area for improvement. We believe that the approval and implementation of these policies with regard to disclosure controls and procedures are effective in timely alerting the Chief Executive Officer and the Chief Financial Officer to material information required to be included in our periodic reports that are filed with the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our President and Audit Committee Chair, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective, and designed to ensure that information required to be disclosed or filed by us is recorded, processed or summarized, within the time periods specified in the rules and regulations of the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

Changes in Internal Controls Over Financial Reporting

There have not been any changes over the internal controls for financial reporting during the fiscal quarter ended December 31, 2007.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Sales of Unregistered Securities During the Last Quarter.

Description	Common		Preferred	
	Shares	Amount	Shares	Amount
Vendors (1)	2,810	\$3,400	-	-
Investor (2)	460,000	\$312,800	-	-

Employees (3)	57,658	\$33,600	-	-
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(1)

These shares were issued to vendors as payment for accounts payable.

(2)

These shares were issued to an investing firm after exercise of Warrant Form A.

(3)

These shares were issued to employees for compensation.

We issued these securities to persons who were either "accredited investors," or "sophisticated investors" who, by reason of education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in our Company; and each had prior access to all material information about us. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities and Exchange Commission and from various similar state exemptions, and with respect to the foreign investors, pursuant to Regulation S of the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits.

(i)

Where Incorporated in this Report

Registration Statement on SB-2/A filed May 2, 2001, as amended.	Parts I, II
Registration Statement on SB-2/A filed March 13, 2006, as amended	Parts I, II
8K filed December 9, 2005 re: LabMentors	Part I
8K/A filed February 15, 2006 re: LabMentors	Part I
8K filed August 22, 2006 re: Amendment to Articles of Incorporation or Bylaws	Parts I, II
8K filed August 29, 2006 re: Amendment to Articles of Incorporation or Bylaws	Parts I, II
8K filed October 12, 2006 re: Amendment to Articles of Incorporation or Bylaws	Parts I, II
8K filed October 5, 2007 re: Entry into Material Definitive Agreement	Part I

(ii)

Other Exhibits

Exhibit No.	Description
21	Subsidiaries of the Company
31.1	302 Certification of Anthony A. Maher
31.2	302 Certification of Shannon M. Stith
32	906 Certification

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PCS EDVENTURES!.COM, INC.

Dated: February 5, 2008

By: /s/Anthony A. Maher
Anthony A. Maher
CEO, President and Chairman of the Board of
Directors

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated February 5, 2008

By: /s/Shannon M. Stith
Shannon M. Stith
Vice President, CAO and CFO

Dated February 5, 2008

By: /s/Donald J. Farley
Donald J. Farley

Secretary and Director

Dated February 5, 2008

By: /s/Cecil D. Andrus
Cecil D. Andrus
Director

Dated February 7, 2008

By: /s/Dehryl A. Dennis
Dehryl A. Dennis
Director

Date February 5, 2008

By: /s/Michael K. McMurray
Michael K. McMurray
Director

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