PCS EDVENTURES COM INC
Form 10QSB
August 12, 2002

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2002

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

For the transition period from ______________ to _______________

Commission File No. 333-53458

PCS EDVENTURES!.COM, INC.
(Name of Small Business Issuer in its Charter)

| | |
|---|---|
| IDAHO | 82-0475383 |
| (State or Other Jurisdiction of incorporation or organization) | (I.R.S. Employer I.D. No.) |

1655 Fairview Avenue, Suite #100
Boise, Idaho 83702
(Address of Principal Executive Offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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.

(1) Yes X No ___ (2) Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

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:

14,893,297

June 30, 2002

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 FINANCIAL STATEMENTS

June 30, 2002 and March 31, 2002

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Balance Sheets

ASSETS

| | June 30, 2002 (Unaudited) | March 31, 2002 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | $ 47,878 | $ 1,046 |
| Accounts receivable | 633,377 | 355,004 |
| Inventory | 9,142 | - |
| Prepaid expenses | 1,786 | - |
| Debt offering costs, net | 44,588 | 11,621 |
| Total Current Assets | 736,771 | 367,671 |

| | | |
|---|---|---|
| FIXED ASSETS (NET) | 62,371 | 83,079 |
| OTHER ASSETS | | |
| Deposits | 8,425 | 7,000 |
| Total Other Assets | 8,425 | 7,000 |
| TOTAL ASSETS | $ 807,567 | $ 457,750 |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)

| | June 30, 2002 (Unaudited) | March 31, 2002 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Bank overdraft | $ - | $ 15,272 |
| Accounts payable | 323,888 | 274,350 |
| Wages payable | 23,863 | 22,211 |
| Payroll taxes payable | 169,882 | 120,572 |
| Accrued interest | 49,668 | 43,383 |
| Accrued expenses | 156,229 | 157,432 |
| Unearned revenue | 297,812 | 397,015 |
| Notes payable - related parties | 148,882 | 158,882 |
| Notes payable | 760,375 | 776,271 |
| Total Current Liabilities | 1,930,599 | 1,965,388 |
| Total Liabilities | 1,930,599 | 1,965,388 |
| STOCKHOLDERS EQUITY (DEFICIT) | | |
| Common stock, no par value, authorized 50,000,000 shares; 14,893,297 and 13,261,522 shares issued and outstanding, respectively | 21,752,892 | 21,596,003 |

| | | |
|---|---|---|
| Deferred consulting fees | (29,375) | (27,344) |
| Accumulated deficit | (22,846,549) | (23,076,297) |
| Total Stockholders= Equity (Deficit) | (1,123,032) | (1,507,638) |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT) | $ 807,567 | $ 457,750 |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

| | For the Three Months Ended June 30, 2002 | 2001 |
|---|---|---|
| REVENUE | $ 1,062,636 | $ 58,526 |
| COST OF GOODS SOLD | 361,149 | 28,557 |
| GROSS PROFIT | 701,487 | 29,969 |
| OPERATING EXPENSES | | |
| Depreciation expense | 20,708 | 18,450 |
| General and administrative | 371,312 | 502,650 |
| Total Operating Expenses | 392,020 | 521,100 |
| OPERATING INCOME (LOSS) | 309,467 | (491,131) |
| OTHER INCOME AND EXPENSES | | |
| Interest expense | (79,719) | (15,834) |
| Interest income | - | 15 |
| Total Other Income and Expenses | (79,719) | (15,819) |
| NET INCOME (LOSS) | $ 229,748 | $ (506,950) |
| BASIC INCOME (LOSS) PER SHARE | $ 0.02 | $ (0.04) |
| DILUTED INCOME (LOSS) PER SHARE | $ 0.01 | $ (0.04) |
| WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING | 14,499,128 | 12,467,924 |
| WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING | 18,231,793 | 12,467,924 |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Deficit)

| | Common Shares | | Deferred Consulting | Accumulated |
|---|---|---|---|---|
| | Shares | Amount | Fees | Deficit |
| Balance, March 31, 2001 | 12,383,959 | $ 21,247,795 | $(173,066) | $(21,515,949) |
| Common stock issued for conversion of debt at $0.25 per share | 100,000 | 25,000 | - | - |
| Common stock issued for conversion of warrants at $0.75 per share | 67,025 | 50,269 | - | - |
| Stock offering costs | - | (49,599) | - | - |
| Common stock issued for services at $0.75 per share | 6,000 | 4,500 | - | - |
| Common stock issued for cash at $0.10 per share | 250,000 | 25,000 | - | - |
| Warrants issued in conjunction with private placement memorandum at $0.73 per warrant | - | 191,634 | - | - |
| Common stock issued for services at $0.28 per share | 20,000 | 5,600 | - | - |
| Common stock issued for | | | | |

| | | | | |
|---|---|---|---|---|
| services at $0.30 per share | 15,000 | 4,500 | - | - |
| Common stock issued as consideration for notes payable at $0.28 per share | 20,000 | 5,600 | - | - |
| Common stock issued for conversion of payable at $0.63 per share | 75,538 | 47,774 | - | - |
| Common stock issued as consideration for notes payable at $0.30 per share | 15,000 | 4,500 | - | - |
| Common stock issued for cash at $0.10 per share | 250,000 | 25,000 | - | - |
| Common stock issued as consideration for notes payable at $0.14 per share | 59,000 | 8,430 | - | - |
| Amortization of expenses prepaid with common stock | - | - | 145,722 | - |
| Net loss for the year ended March 31, 2002 | - | - | - | (1,560,348) |
| Balance, March 31, 2002 | 13,261,522 | $ 21,596,003 | $ (27,344) | $(23,076,297) |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

| | Common Shares | | Deferred Consulting | Accumulated |
|---|---|---|---|---|
| | Shares | Amount | Fees | Deficit |

| | | | | |
|---|---|---|---|---|
| Balance at March 31, 2002 | 13,261,522 | $21,596,003 | $ (27,344) | $(23,076,297) |
| Common stock issued for conversion of accounts payable at $0.08 per share (unaudited) | 50,000 | 4,250 | - | - |
| Common stock issued for conversion of accounts payable at $0.30 per share (unaudited) | 15,000 | 4,500 | - | - |
| Common stock issued for conversion of accounts payable at $0.07 per share (unaudited) | 248,417 | 17,389 | - | - |
| Common stock issued for prepaid services at $0.05 per share (unaudited) | 515,000 | 27,500 | (27,500) | - |
| Common stock issued for prepaid services at $0.07 per share (unaudited) | 100,000 | 7,000 | (7,000) | - |
| Common stock issued for services at $0.07 per share (unaudited) | 157,500 | 11,025 | - | - |
| Cancelled common stock previously issued for services that had not been performed (unaudited) | (20,000) | - | - | - |
| Common stock issued for conversion of debt at $0.13 per share | | | | |

| | | | | |
|---|---|---|---|---|
| (unaudited) | 204,000 | 27,541 | - | - |
| Common stock issued for conversion of warrants at $0.01 per share (unaudited) | 9,808 | 98 | - | - |
| Common stock issued for services at $0.16 per share (unaudited) | 100,800 | 16,128 | - | - |
| Common stock issued for conversion of warrants at $0.01 per share (unaudited) | 10,500 | 105 | - | - |
| Common stock issued for extension of debt, valued at an average of $0.17 per share (unaudited) | 240,750 | 41,353 | - | - |
| Amortization of deferred consulting expense (unaudited) | - | - | 32,469 | - |
| Net income for the three months ended June 30, 2002 (unaudited) | | | | 229,748 |
| Balance, June 30, 2002 (unaudited) | 14,893,297 | $21,752,892 | $ (29,375) | $(22,846,549) |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

For the
Three Months Ended

| | June 30, 2002 | 2001 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $ 229,748 | $ (506,950) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 20,708 | 18,450 |
| Common stock issued for services | 27,153 | - |
| Common stock issued for debt extensions | 41,353 | - |
| Amortization of debt discount | 22,648 | - |
| Amortization of debt offering costs | 18,015 | - |
| Amortization of deferred consulting fees | 32,469 | - |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (278,373) | (54,121) |
| (Increase) decrease in prepaid expenses | (1,786) | 39,944 |
| (Increase) decrease in inventory | (9,142) | - |
| (Increase) in deposits | (1,425) | |
| Increase (decrease) in accounts payable and accrued liabilities | 154,886 | 1,782 |
| Increase (decrease) in interest payable | 6,285 | - |
| Increase (decrease) in commitments and contingencies | - | (1,938) |
| Increase (decrease) in unearned revenue | (99,203) | 150,011 |
| Net Cash Provided (Used) by Operating Activities | 163,336 | (352,822) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (1,030) |
| Net Cash (Used) by Investing Activities | - | (1,030) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in cash overdraft | (44,722) | (4,471) |
| Proceeds from related parties | - | 10,000 |
| Payments to related parties | (10,000) | (60,000) |

| | | |
|---|---|---|
| Payments on long-term debt | (351,617) | (59,632) |
| Proceeds from long-term debt | 340,614 | 474,500 |
| Debt extension costs | (50,982) | - |
| Proceeds from common stock | 203 | 670 |
| Net Cash Provided (Used) by Financing Activities | (116,504) | 361,067 |
| NET INCREASE IN CASH | 46,832 | 7,215 |
| CASH AT BEGINNING OF PERIOD | 1,046 | 4,654 |
| CASH AT END OF PERIOD | $ 47,878 | $ 11,869 |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Cash Flows (Continued)
(Unaudited)

| | For the Three Months Ended June 30, 2002 | 2001 |
|---|---|---|
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Issuance of stock for payment on notes payable and interest | $ 27,541 | $ 25,000 |
| Common stock issued for services | $ 27,153 | $ - |
| Common stock issued for payment on accounts payable | $ 26,139 | $ - |
| Common stock issued for debt extensions | $ 41,353 | $ - |
| Cash Paid For: | | |
| Interest | $ 28,485 | $ 15,834 |
| Income taxes | $ - | $ - |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY

Notes to the Consolidated Financial Statements
June 30, 2002 and March 31, 2002

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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not 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 hereto included in its March 31, 2002 Annual Report on Form 10- KSB. Operating results for the three months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending March 31, 2003.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in stockholders' equity. All of these items raise substantial doubt about its ability to continue as a going concern. The Company has expanded its product line to include three additional educational labs, which they believe will significantly boost future revenues. The Company also intends to continue offerings of its common stock to raise the capital necessary to cover operating costs not provided for by current revenues. 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.

NOTE 3 - DILUTIVE INSTRUMENTS

a. Stock Options

The Company applied Accounting Principles Board ("APB") Option 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for all stock option plans. Under APB Option 25, cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

FASB Statement 123, "Accounting for Stock-Based Compensation" (SFAS No. 123"), requires the Company to provide proforma information regarding net income and net income per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for grants, respectively; dividend yield of zero percent for all years; expected volatility of 84% to 128% percent for all years; risk-free interest rates of 3% to 6%, and expected lives of 3 to 10 years.

| | For the Three Months Ended June 30, 2002 | 2001 |
|---|---|---|
| Net income (loss): | | |
| As reported | $ 229,748 | $ (506,950) |
| Pro Forma | 74,766 | (525,501) |
| Net income (loss) per share: | | |
| As reported | $ 0.02 | $ (0.04) |
| Pro Forma | 0.01 | (0.04) |

During the initial phase-in period of SFAS No. 123, the effect of pro forma results are not likely to be representative of the effects on pro forma results in future years since options vest over several years and additional options could be granted each year.

The Company has granted the following options as of June 30, 2002:

| Description | Date of Grant | Exercise Number | Exercise Price | Amount Exercised |
|---|---|---|---|---|
| 1) Employee | 2-05-00 | 50,000 | $ 0.75 | 0 |
| 2) Officers/directors | 4-20-00 | 600,000 | $ 0.75 | 0 |
| 3) Employee | 6-01-00 | 45,000 | $ 0.75 | 0 |
| 4) Consultant | 9-20-00 | 200,000 | $ 0.50 | 0 |
| 5) Employees | 9-01-00 | 200,000 | $ 0.75 | 0 |
| 6) Director | 10-01-00 | 200,000 | $ 0.75 | 0 |
| 7) Employee | 01-05-01 | 25,000 | $ 0.75 | 0 |
| 8) Employee | 6-15-01 | 25,000 | $ 0.75 | 0 |
| 9) Employee | 10-24-01 | 50,000 | $ 0.30 | 0 |
| 10) Employee | 12-1-01 | 24,230 | $ 0.15 | 0 |
| 11) Board Members | 12-10-01 | 1,000,000 | $ 0.30 | 0 |
| 12) Board Members | 06-03-02 | 1,000,000 | $ 0.16 | 0 |
| | | 3,419,230 | | |

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

| Description | Fair Value | Risk-Free Interest Rate | Expected Life | Expected Volatility |
|---|---|---|---|---|
| 1) Employee | $ 0.46 | 6.05% | 3 | 92.82% |
| 2) Officers/directors | $ 0.46 | 6.15% | 3 | 91.32% |
| 3) Employee | $ 0.46 | 6.15% | 3 | 92.82% |
| 4) Consultant | $ 0.42 | 6.15% | 3 | 89.37% |
| 5) Employees | $ 0.52 | 6.21% | 3 | 85.69% |
| 6) Director | $ 0.52 | 6.21% | 3 | 84.39% |
| 7) Employee | $ 0.52 | 6.21% | 3 | 84.39% |
| 8) Employee | $ 0.39 | 3.76% | 3 | 76.69% |
| 9) Employee | $ 0.19 | 3.76% | 3 | 100.52% |
| 10) Employee | $ 0.14 | 3.76% | 3 | 99.80% |
| 11) Board Members | $ 0.20 | 5.69% | 10 | 99.80% |
| 12) Board Members | $ 0.15 | 5.48% | 10 | 128.9% |

On April 20, 2000, the Company granted 600,000 options to officers and directors out of the 800,000 authorized on January 19, 2000. On October 1, 2000, the Company granted the remaining 150,000 options authorized to a director. All of the option exercise prices are $0.75 per share with a fair value determined by Black Scholes of $0.46 and $0.52, respectively.

On April 20, 2000, the Company authorized the granting of 400,000 options to employees and directors. On June 1, 2000, the Company granted 45,000 options to an employee. On September 1, 2000, the Company granted 200,000 options to four employees. On October 1, 2000, the Company granted 50,000 options to a director. On January 5, 2001, the Company granted 25,000 options to an employee. On March 31, 2001, the Company had not granted 80,000 options. Each option granted has an exercise price of $0.75 per option and a 3-year life with a fair value determined by Black Scholes of $0.46, $0.52, $0.52 and $0.52, respectively.

On September 22, 2000, the Company authorized the granting of 250,000 options to employees and directors of the Company with exercise prices of $0.75 and a 3-year life. None of these options have been granted.

On June 15, 2001, the Company granted 25,000 options to an employee. These options had an exercise price of $ 0.75 per option and a three year life with a fair value determined by Black Scholes of $0.39.

On December 1, 2001, the Company granted employees 24,230 options to employees. The options have an exercise price of $0.15 per share. As the exercise price of the shares was less than the trading price of the Company's common shares on the date of issuance, the Company has recognized $1,696 of expense related to these options.

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

On December 5, 2001, the Company's Board of Directors approved the granting of 1,050,000 options to employees and board members. On October 24, 2001, the Company granted 50,000 shares to an employee. On December 10, 2001, the Company granted 1,000,000 shares to board members. Each option granted has an exercise price of $0.30 and a fair value determined by Black Scholes of $0.14 and $0.20, respectively.

On June 3, 2002, the Company's Board of Directors granted options to purchase 1,000,000 shares of common stock to members of the Board of Directors. Each option granted has an exercise price of $0.16 and a Black Scholes fair value of $0.15.

b. Warrants

On April 27, 2000, three individuals were granted a total of 56,750 warrants which were converted into 31,750 shares of common stock. The conversion rate was $0.675 per share and as such, no compensation expense was recorded because the grant price exceeded the market value.

On September 15, 2000, the Company granted warrants allowing the holders to purchase 342,831 shares of the Company's common stock. The warrants are exercisable at a price of $0.01 per share for two years. On September 15, 2000, 203,161 warrants were converted into shares of common stock. The fair value of the warrants was $150,339 and was recorded as a stock offering cost, because the warrants were issued to individuals who raised funds for the Company.

During the year ended March 31, 2002, the Company issued warrants allowing the holders to purchase 263,607 shares of the Company's common stock. The warrants were issued in conjunction with the private placement memorandum and are exercisable at a price of $0.01 per share for two years. The fair value of the warrants, as determined by Black Scholes, was $191,634, and was recorded as debt discount.

NOTE 4 - MATERIAL EVENTS

Sales

On May 31, 2002, the Company completed the sale of Twenty Academy of Engineering Labs to a Michigan school district. The revenues recognized related to this single transaction were $395,980, or 37% of the Company's reported revenues for the three months ended June 30, 2002.

On June 17, 2002, the Company completed the sale of Seven Academy of Engineering Labs to a Georgia school district. The revenues recognized related to this single transaction were $137,145, or 13% of the Company's reported revenues for the three months ended June 30, 2002.

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2002 and March 31, 2002

NOTE 4 - MATERIAL EVENTS (Continued)

Extension of Debts

During the three months ended June 30, 2002, the Company entered into one year debt extension agreements with nearly all of the individual owners of the 2001 debt offering units. The Company successfully extended $522,500 of the total $602,500 outstanding related to the debt offering. The terms of the agreements require the Company to issue 500 shares of common stock and pay a 2% cash extension fee for each $1,000 of debt extended. During the three months ended June 30, 2002, the Company capitalized $50,982 of costs related to the extension and is amortizing those costs over the life of the extension, or one year.

NOTE 5 - SUBSEQUENT EVENTS

Commitments

On July 24, 2002, the Company entered into a consulting agreement with a marketing firm to increase the profile of the Company and its stock. Compensation for the services will be based upon the amount of capital raised through sales of common stock.

On July 24, 2002, the Company signed a letter of intent with an investment banking firm, whereby the investment banking firm would use its best efforts to obtain commitments for various financing of up to $10,000,000. Total compensation for these services will be based on the amount of financing obtained. The Company will be required to pay a $25,000 retainer upon execution of the final agreement.

Contingencies

On July 11, 2002, the Company settled its dispute with Key Bank for $20,000. The Company had previously recorded a liability for $25,208. The difference, of $5, 208, will be recognized as a gain on extinguishment of debt in the second quarter.

Stock Issuances

Subsequent to June 30, 2002, warrant holders have exercised warrants to purchase 13,055 shares of the Company's common stock in exchange for $131.

Stock Option Issuances

Subsequent to June 30, 2002, the Company granted options to purchase 265,000 shares of common stock to employees. The options are exercisable at $0.16 per share and vest over three years. The options will expire on December 31, 2005.

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

### Plan of Operation.

For the near-term, we have two objectives, which center around corporate awareness and deepening our product lines. First, we are working with a public relations firm to increase corporate, brand and product awareness on a more national level. We are exploring several national marketing opportunities through this avenue. Our second objective involves deepening our product lines. Over the past year, we have introduced three new lab products into the marketplace. The launch of our Brick Lab, Discover!Lab, and our Academy of Engineering Jr. Lab have all been met with favorable results in the marketplace. As it is our desire to remain on the leading edge of project-based learning within the education marketplace, we will continue to commit resources to product development and improvement over the next year.

The notes to our financial statements for the quarterly period ended June 30, 2002, indicate that there is substantial doubt about our ability to continue as a "going concern," due to our lack of significant cash or other material assets, our lack of an established source of revenue sufficient to cover our operating costs, and our accumulated losses, negative working capital and deficit in stockholders' equity. Accordingly, the future outlook of the Company, under present circumstances, is bleak.

### Results of Operations.

#### Three months ended June 30, 2002, compared to three months ended June 30, 2001.

Revenues for the three month period ended June 30, 2002, increased to $1,062,636, as compared to $58,526 for the three month period ended June 30, 2001. A total of $395,980, or 37% of the Company's revenues during the June 30, 2002, quarter, were derived from its sale of 20 Academy of Engineering labs to a Michigan school district. An additional $137,145, or 13% of revenues during the June 30, 2002, quarter, came from the Company's sale of seven Academy of Engineering labs to a Georgia school district. The substantial increase in revenue was due to these increased lab sales over the same period last year.

General and administrative costs have decreased to $371,312 for the three month period ended June 30, 2002, as compared to $502,650 for the three month period ended June 30, 2001. The decrease is primarily due to certain cost cutting measures including the elimination of ineffective advertising and marketing and a reduction in personnel.

Interest expense for the three month period ended June 30, 2002, increased to $79,719 as compared to $15,834 for the three month period ended June 30, 2001. During the quarterly period ended June 30, 2002, the Company entered into agreements with the holders of $602,000 in debt from its 2001 debt offering. Under the agreements, the Company agreed to extend its debt for one year in exchange for the issuance of 500 shares of its common stock and a 2% cash extension fee for each $1,000 of debt extended.

The Company had net income of $229,748 for the three months ended June 30, 2002, as compared to a net loss of $506,950 for the quarterly period ended June 30, 2001.

Liquidity and Capital Resources.

We had cash of $47,878 at June 30, 2002. Management believes that our current cash on hand as of that date, combined with the cash received from delivered sales orders, will be sufficient to meet our operating expenses.

The Company conducted a private offering for $100,000 minimum and a maximum of $750,000; the Company has raised approximately $602,500 as of September 30, 2001. This offering was a debt offering that is briefly described in Item 5 of this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On July 11, 2002, which is subsequent to the period covered by this Report, the Company settled its dispute with Key Bank for $20,000.

Item 2. Changes in Securities and Use of Proceeds.

None; not applicable.

Item 3. Defaults Upon Senior Securities.

During the quarterly period ended June 30, 2002, the Company entered into one year debt extension agreements with the holders of $602,500 of this debt, as discussed under the subheading "Results of Operations" of the caption "Management's Discussion and Analysis or Plan of Operation," Part I, Item 2 of this Report. As of April 6, 2002, the Company had signed debt extension agreements on $522,500 of the $602,500 received as part of its 2001 debt offering. The payment and terms of the remaining $80,000 is currently being negotiated.

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

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

PCS EDVENTURES.COM, INC.

Date: 8/12/02 By: /s/ Anthony A. Maher

Anthony A. Maher
CEO, President and Chairman of the Board of Directors

Date: 12 August 2002 By: /s/ Christy Vaughn

Christy Vaughn
Vice President and CFO

Date: 8-9-02 By: /s/ Roy M. Svee

Roy M. Svee
Treasurer and Director

Date: August 9, 2002 By: /s/ Donald J. Farley

Donald J. Farley
Secretary and Director

CERTIFICATION PURSUANT TO
18 U.S.C.SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PCS Edventures!.com, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Anthony A. Maher, Chief Executive Officer and President, and Christy Vaughn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: August 12, 2002 /s/ Anthony A. Maher

| | |
|---|---|
| ---------------- | ------------------------------ |
| | Anthony A. Maher, Chief Executive Officer and President |
| Dated: 12 August 2002 | /s/ Christy Vaughn |
| --------------- | ------------------------------ |
| | Christy Vaughn, Chief Financial Officer |