PCS EDVENTURES COM INC
Form 10KSB
July 14, 2004

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

FORM 10-KSB

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

For the fiscal year ended March 31, 2004

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

For the transition period from _____________ to ____________

Commission File No. 000-49990

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.)

345 Bobwhite Court, Suite #200
Boise, Idaho 83706
(Address of Principal Executive Offices)

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

N/A
(Former Name or Former Address, if changed since last Report)

Securities Registered under Section 12(b) of the Exchange Act: None
Name of Each Exchange on Which Registered: None
Securities Registered under Section 12(g) of the Exchange Act:

No par value common stock

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.

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this Form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State Registrant's revenues for its most recent fiscal year: March 31, 2004 - $1,830,861.

State the aggregate market value of the Registrant's voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

June 28, 2004 - $5,855,214.06. There are approximately 21,685,978 shares of common voting stock of the Registrant beneficially owned by non-affiliates. These computations are based upon the bid price for the common stock of the Registrant on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. ("NASD") on June 28, 2004 or $0.27 per share.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Not Applicable.

Check whether the issuer has 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)

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

June 28, 2004

25,395,670

DOCUMENTS INCORPORATED BY REFERENCE

A description of "Documents Incorporated by Reference" is contained in Part III, Item I.

Transitional Small Business Issuer Format Yes X No ___

PART I

Item 1. Description of Business.

Business Development.

General.

PCS (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") as a wholly owned subsidiary. PCS Schools had created an educational enrichment program that was delivered in owner-operated, free standing Learning Centers. This program offered a unique atmosphere highly conducive to individual styles of learning and a system that utilized computer technology to increase areas of inquiry and application. Subsequently, we changed our business plan and business strategy and in connection with this change, we divested the Learning Centers developed by PCS Schools and focused our efforts on creating web based educational systems utilizing and improving PCS Schools legacy curriculum.

Fiscal Year Ended March 31, 2004.

The following are the business developments during fiscal 2004:

* Sold another 180 Labs to Edison Schools;
* Began to investigate using parts of our Learning Labs to create a line of specialty educational retail toys;
* Developed a strategic alliance with K-Nex Corporation, a manufacturer and distributor of learning manipulatives to the US K-12 market;
* Announced the development and release of additional curriculum for learning labs destined for the classroom;
* Developed a strategic alliance with the Air University in Pakistan;
* Acquired the exclusive distribution rights to a line of Science Labs from Science Demo in Israel;
* Announced our new marketplace strategy for the US market which included new products, added sales representation and standards alignment in all 50 states; and
* Announced that we no longer utilize one line of building bricks in our learning labs and have opened the market to three other suppliers.

Fiscal Years ended March 31, 2003 and 2002.

For a discussion of our business development during the years ended March 31, 2003 and 2002, see our 10-KSB Annual Reports for the years ended March 31, 2003 and 2002 which have been previously filed with the Securities and Exchange Commission, and which are incorporated herein by reference. See Item 13, Part III.

Business.

We are engaged in the business of developing and marketing educational related technologies and programs directed to the kindergarten through 12th grade after-school market. Our products and technologies are targeted to both the classroom and home market. Our products and technologies are delivered to the classroom through an inventory of hardware, software, books, and Internet access. Our technologies and products are delivered to the home user through Internet access to our subscription based website. Our products and technologies allow students ages 3-18 to explore the basic foundations of mechanical engineering, structures in architecture, and math and science.

We have developed seven innovative technology based educational programs. Our "Academy of Engineering," "Academy of Robotics", "Edventures! Lab", "Discover! Lab" products are site-license installations for classrooms and learning programs. Our "Brick Lab!" and "Young Learner Building Box" products are also for classrooms and learning programs, but are not licensed. Our "Edventures! Online" product is our comprehensive Internet delivered educational experience that supports our Edventures! Labs and our Discover!

Labs site licenses and also serves as a stand-alone home usage program. Our "Edventures! Online" program is delivered to the home user over the Internet on a monthly subscription basis. Separately, and in combination, these seven products present a platform for delivering educational services and support to classroom, learning center and home users, and create a virtual community of learners and parents on the web. It is our business strategy that as this online community grows, it will become an education portal through which additional PCS programs and services can be marketed and delivered.

We have only commenced marketing efforts for our current products and technologies during the last four years. We are attempting to expand distribution and marketing arrangements channels. To date, we have sold only a limited number of products related to our current product line.

Principal Products or Services and their Markets.

We have now developed and are currently marketing seven innovative technology based educational programs for the kindergarten through 12th grade ("K-12") after-school market, learning center market and home market. Separately, and in combination, these seven products present a platform for delivering educational services and support, and create a virtual community of learners and parents on the web. It is our intent that as this community grows, it becomes an education portal through which additional PCS programs and services can be deployed. The five technologies and products that we are currently marketing, are as follows:

Our Academy of Engineering Lab is a site license program designed for use within various K-12 environments. Using the Academy of Engineering, students develop, design, and produce exciting hands-on projects ranging from catapults to robots in response to engaging challenges in a variety of topics. The current Academy of Engineering product includes four books from the mechanical engineering strand and 12 extension books covering a variety of topics. Future topic strands for expanding the program include structural, electrical and software engineering. Each strand, when completed, includes courseware for over 272 hours of instruction. The Academy of Engineering program includes a variety of LEGO (Registered) products which are used as a mechanical engineering learning aid. An Academy of Engineering site license currently sells for between $13,995 and $21,500 and includes materials, LEGO (Registered) manipulatives and other building components, and curriculum, a custom designed storage and organization unit, a digital camera, web-based support by our "Edventures! Online" product and various electronic assessment tools, and two days of teacher training. We sold 41 Academy of Engineering Labs during the previous fiscal year. Each site license includes all materials necessary to utilize the complete Academy of Engineering program.

The Academy of Robotics Lab serves as a complement to our Academy of Engineering or can also serve as a stand alone robotics lab. The Academy of Robotics Lab is available in a 10, 20, or 30 student editions. Each Lab contains a comprehensive LEGO (Registered) inventory including LEGO (Registered) Mindstorms kits, additional LEGO (Registered) manipulatives, digital camera, web services, and curriculum. This Lab ranges in price from $6,995 to $20,985. We

sold 58 Academy of Robotics Labs during last fiscal year.

Edventures! Lab is a site license system intended for students ages 7-13 which provides a broader set of subject areas including art, programming, web page design, chess, physics, electricity, and others. It contains curriculum, storage cabinet, and a smaller inventory of LEGO (Registered) manipulatives. It relies on "Edventures! Online" for delivery of the curriculum. A site license for an Edventures! Lab currently costs $7,550 which includes a 60-student block license for access to "Edventures! Online." We have sold 27 Edventures! Labs during the previous fiscal year.

Discover! Lab is a scaled down model of the Edventures! Lab site license system intended for smaller groups of approximately 15 students. It contains curriculum, a storage cabinet and other material, but has a reduced inventory of LEGO (Registered) materials and relies on "Edventures! Online" for delivery of the curriculum. A site license for a Discover! Lab currently costs $3,250 which includes a 30-student block license for access to "Edventures! Online". We have sold 22 Discover! Labs during the previous fiscal year.

Edventures Brick Labs! provide an inexpensive hands-on learning solution for educators in all types of teaching environments. The Brick Lab! combines the "Edventures! Online" curriculum, LEGO (Registered) manipulatives, storage bins and Internet/web services for smaller groups of approximately 30 students. The Brick Lab! sells for $595 and is not licensed. We have sold 441 Brick Labs during the previous fiscal year. In addition, we have developed The BrickLab Grade Series. This series is a complete technology curriculum for grades 1-6. Aligned with the ITEA standards, each level in the grade series offers hands-on and open-ended projects for up to 30 students at one time. Each individual grade package includes a sturdy plastic tub filled with over 5,700 building bricks, one teacher curriculum book-- grade specific -- and accompanying posters and labels. Each level contains an excess of over 200 technological projects relevant to the real world. For the fiscal year ended 2004, Grades 1 and 2 are available. Grades 3 and 4 should be available by the end of fiscal year 2005, with Grades 5 and 6 to follow in fiscal year 2006.

The Young Learner Building Box was designed to meet the needs of preschoolers. Introducing children to hands-on learning, this lab utilizes activities and games to teach number and letter recognition, build vocabulary, counting, and more. The Young Learner Building Box includes activity cards, large-size plastic building blocks, the exclusive "HIGHRISE" board game, developed by PCS for this specific Lab, and a sturdy mobile storage container. This labs sells for $299 and is unlicensed. Introduced last year ago, we have sold 17 Young Learner Building Boxes during the previous fiscal year.

"Edventures! Online" is an Internet delivered program that provides a safe, secure and exciting learning environment for students to interact within from home and from school. "Edventures! Online" includes online curriculum and assessment, filtered communication tools, forums and a variety of additional online services. The program utilizes Internet based resources and services as a stand-alone product and also serves as an extension service to our school-based Edventures! Lab. "Edventures Online" can be viewed on the web at www.edventures.com. This environment features over 200 do-at-home projects organized into a sophisticated learning model (Merit System), an animated glossary, monitored chat rooms, live interaction with online instructors, personal email accounts for all students and more. The "Edventures! Online" at-home curriculum utilizes found materials, LEGO (Registered) products, software and other resources to teach concepts in Physics, Electricity, Internet, Programming, Art, Architecture, Engineering, and Robotics. "Edventures! Online" provides all lab licensees an on-line support tool and provides a framework within which students can safely communicate, collaborate, and learn. "Edventures! Online" is also available as a stand-alone, home based subscription product for $69.95 per year.

The Academy of Engineering, Academy of Robotics, Edventures! Lab, Discover! Lab, and Brick Lab! have three main delivery models, which makes these products suitable for use in various learning environments:

School Resource Center. The Academy of Engineering, Academy of Robotics, Edventures! Lab, and Discover! Labs are currently being deployed as a school-wide resource center that allows K-12 teachers to integrate hands-on project based learning activities into their daily curriculum. As a resource center, these mobile Labs are rolled from classroom to classroom throughout the course of a typical school week, being used by the entire school. Examples of how the program is used include: (1) a platform for gifted and talented programs; (2) to enhance and extend a science curriculum; (3) to enhance and extend mathematics activities; (4) to serve as a foundation for an after-school program; (5) as a vocational-technical or technology education program; (6) and to serve as a special education resource. This model makes the program an ideal resource for schools around the country that are seeking innovative and organized methods for integrating technology and hands-on learning in the classroom.

Pre-Engineering Course. The Academy of Engineering, Academy of Robotics, and Edventures! Labs provide a comprehensive engineering curriculum designed around the hands-on use of LEGO (Registered) manipulatives. This curriculum allows the program to serve as the foundation for pre-engineering courses suitable for students in Jr./Sr. High. The hands-on applications of technology, design and production techniques, and the integration of the Internet based services, makes it a highly attractive total classroom solution.

After School Program. The Academy of Engineering, Academy of Robotics, Edventures! Lab, Discover! Lab, and Brick Lab programs were originally designed in an after-school environment and are ideal to meet the expanding need for educational solutions for school-based programs, Boys & Girls Clubs, YMCA, Community Learning Centers and similar organizations. When used in this format, these programs become a hub for educational activities out of the engineering curriculum, or from the online Edventures! program. The complete support, assessment and curriculum components provide a system for offering a flexible, effective educational offering.

We believe that education programs of our type are not currently available from any other source and present a unique opportunity for sales and marketing to specific segments of the education industry. We believe that PCS' education programs deliver a unique, proven learning experience that:

* provides students with exciting and relevant activities that brings curriculum to life;

* develops essential critical thinking and problem-solving skills;

* prepares students for real-world career demands; and

* builds a strong foundation in technical literacy.

Markets.

The educational market is a significant market in the United States but is fragmented into various segments ranging from non-profit educational programs to the public school system. We focus our sales and marketing efforts on specific market segments in an integrated strategy that is intended to build brand name awareness of our PCS products in schools, at home and within the larger educational marketplace.

We believe that a major shift of focus is taking place in education in our public and private schools as educators and parents seek to maximize educational experiences for children based upon advances in technology. We believe that this shift necessitates sweeping changes in how schools are operated, programs are taught, technology is integrated, students are assessed and classrooms are managed. Over the past few years, the emergence of a for-profit education industry has begun to evolve in response to parents' and society's demand for more and better alternatives in education. Parents are giving their children's schools low grades for teaching performance and at the same time there is an increase in public support for school choice. The issue of education, including the public funding of private school vouchers is significant. A school voucher program has also been recently upheld in a case decided at the United States Supreme Court. These factors are driving the growth of private and charter school alternatives.

Capitalizing on this atmosphere, private education based companies specializing in after-school, tutoring, and special skills programs are marketing programs, technologies, and products catering to teachers, students, and parents. Parents support alternative education programs and enrichment activities and actively seek them out for their children, as well as exert more and more pressure on public schools to improve their performance. We believe that with this change and unrest taking place within the education industry, enormous opportunities are emerging for companies who understand the problems and promise of technology and new educational methodologies. It is our business strategy to, through our technologies and experience, develop and market technology enhanced learning programs to address this education demand.

The growth of the Extended Learning Market. Recent high-profile federal programs indicate a growing opportunity within the extended learning market which encompasses before, after, and summer school programs on the campus of public schools, or operated through the venue of organizations like the Boys & Girls Clubs of America. The web site, "www.afterschool.gov," summarizes many of the federal funding sources now available for this growing market segment.

PCS Designated Markets.

We have identified as our primary market for our labs traditional public and private schools and the after-school programs that are growing quickly across the United States. Widespread financial support for implementing school-based after-school programs is driving the growth of public school programs in this segment. The growth of programs such as those offered by the Boys & Girls Clubs of America are further proof of the market need for this product. As a niche market, after school programs, on and off the campus of public schools (the Extended Learning Market), represent a potential market for PCS products.

K-12 Market in International and U.S. We have entered into a sales agency agreement and product alliance relationship with Pitsco LEGO (Registered) Dacta, a Pittsburg, Kansas, based educational company that holds the exclusive distribution rights to LEGO (Registered) Dacta product sales in the United States. Pitsco, established in 1966, has established a market presence and reputation in the school market place and now markets its own line of modular school labs as well as hundreds of other hands-on type products. The Academy of Engineering product complements the Pitsco existing product line.

Boys & Girls Clubs. We are currently continuing our efforts to distribute our labs into the Boys and Girls Clubs. To date, clubs have evidenced a strong interest in our program due to an organization-wide mandate to implement educational programs like the Academy of Engineering. The funding cycle access to funds for these programs are a significant factor in our ability to market the Academy of Engineering to Boys and Girls Clubs. We currently have labs in over 20 of 3,300 Boys & Girls Clubs nationwide.

Extended Learning Market. In addition to the Boys & Girls Clubs of America, additional non-school-based programs are increasing through such institutions as the YMCA, Community Learning Centers, and other sites such as Science Museums. PCS is currently working to establish reference sites in each of these markets and will follow a strategy similar to the one it is pursuing with the Boys & Girls Clubs of America. Progress to date in these market segments include

Edventures! Online Markets.

Edventures! Online is designed to provide a full-featured educational extension via the Internet to all students participating in PCS programs such as the Academy of Engineering. However, for families and students who do not have access to PCS Labs through a local site license, the program is available on a subscription basis for $69.95 per year. PCS describes the primary market for the current Edventures! Online product as families with children ages six to 13 who have a strong interest in education. Edventures! Online has been approved for state level funding for homeschool students in the states of California and Alaska. PCS is currently developing a promotional effort that will take advantage of this funding availability to promote the Edventures! program to the thousands of homeschool families in these states.

Marketing and Other Agreements.

Direct Sales Force. Currently, we have a direct sales force consisting of three employees and several independent agency groups. This direct sales force markets our products and programs in a variety of methods to various users, providers and others.

PCS Edventures is pleased to announce it has reached a formal agreement with Science Demo, Ltd., an Israeli manufacturer and marketer of a premier line of compact Science Demonstration Labs, for PCS to market the products in the US and Canada. This agreement expands the products and services offered by PCS sales representatives to include the core physical science market for K-12 schools nationwide. A recent report released by the National Science Foundation indicates that science and technology preparedness in US students is dropping at an alarming rate and we are losing jobs and a leadership role to International competitors. Solid, proven science activities fit within our project based learning educational framework.

Competition.

Both the education marketplace and the Internet are highly competitive and rapidly evolving fields, and are expected to continue to undergo significant and rapid technological change. Other companies may develop products and services and technologies superior to our products which may result in our products and services becoming less competitive. We are aware of several development stage and established enterprises, including major telecommunications and computer software and technology companies, which are exploring the fields of online educational products and services or are actively engaged in research and development of products and services targeted at these fields. Many of these companies have substantially greater financial, manufacturing, marketing and technical resources than we have and represent significant long-term competition. To the extent that these companies offer comparable products and services at lower prices, or higher quality and more cost effective, our business could be adversely affected.

Potential Competitive Advantages.

We believe that we potentially have certain competitive advantages which we will attempt to maximize in developing and effecting our business strategy. These potential advantages include the following:

High barriers exist to entry. PCS' educational programs are innovative, unique and based on fifteen years of experience and product development.

Barriers to entry for competitive products that are time tested are extremely high. Early and significant market penetration will guarantee a "first and best" name recognition for the types of educational services that PCS will deliver.

Utilize the Internet as a delivery and support mechanism for the programs. By leveraging our extensive expertise in Internet technology, PCS achieves the following significant advantages: (1) a high level of program control; (2) the building of a significant data model regarding program usage; and (3) a direct channel to enrolled students who access the program at home. Each of these advantages provides tangible long-term benefits to the Company.

Expand program offerings and distribute them via established program licensees. After implementing and proving a successful program model, PCS will utilize its established network of licensees to distribute additional programs designed to integrate seamlessly into the already deployed sites. This creates a long-term growth strategy that includes new and residual sales to an ever-growing list of existing licensees on an annual basis.

Proliferate licensing of PCS programs by continuing to expand other educational market segments. PCS recognizes that the public schools and community organizations offering educational programs are the best choice for rapid expansion and capturing market share and visibility. Additional market segments will be attacked individually as PCS demonstrates program viability, market by market. By taking a long term strategic approach to market penetration, and maintaining a policy of solid strategic alliances for distribution, each PCS educational program will be an asset that will continue to generate growth and sales.

Sources and Availability of Raw Materials.

None, not applicable.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.

We seek to protect our technology, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. Generally, we enter into confidentiality and non-disclosure agreements with our employees and with key vendors and suppliers. Currently we use the following trade names: "PCS" (TM)"; "Academy of Learning"; "business"; "Edventures", and "PCS Brick Lab" (TM". We intend to evaluate continually the appropriateness of seeking registration of additional product names and trademarks as they evolve.

At the present time, we have not applied for any patents, nor do we have any patents pending. We anticipate that our products will not be the type for which patent protection will be sought. However, we may file for patent protection on certain aspects of our proprietary technology in the future.

Our present or future products may be found to infringe upon the intellectual property rights of others. If our products were found to infringe on intellectual property rights of others, our development and sale of such products could be severely restricted or prohibited. In such eventuality we would be required to obtain licenses to utilize such patents or proprietary rights of others, for which acceptable terms may be unavailable. If we were not able to obtain such licenses, the development or sale of products requiring such licenses could be materially and adversely affected. In addition, we could incur substantial costs in defending against challenges to our patents or infringement claims made by third parties or in enforcing any patents we may obtain.

Our PCS logo has been service/trade marked (#2213678) since December 29, 1998. Protection for this service/trademark is for a ten year period. "PCS Edventures!.COM" has been service/trade marked since November 27, 2001. We applied for a service/trademark (application #78329127) for "PCS Brick Lab" on November 13, 2003. We anticipate that these applications will be granted in the near future. Once granted, the protection is for a period of ten years.

Governmental Approval of Principal Products or Services.

None, not applicable.

Effects of Existing or Probable Governmental Regulations.

Small Business Issuer.

The integrated disclosure system for small business issuers adopted by the Securities and Exchange Commission in Release No. 34-30968 and effective as of August 13, 1992, substantially modified the information and financial requirements of a "Small Business Issuer," defined to be an issuer that has revenues of less than $25 million; is a U.S. or Canadian issuer; is not an investment company; and if a majority-owned subsidiary, the parent is also a small business issuer; provided, however, an entity is not a small business issuer if it has a public float (the aggregate market value of the issuer's outstanding securities held by non-affiliates) of $25 million or more.

The Securities and Exchange Commission, state securities commissions and the North American Securities Administrators Association, Inc. ("NASAA") have expressed an interest in adopting policies that will streamline the registration process and make it easier for a small business issuer to have access to the public capital markets.

We are deemed to be a "small business issuer," and we have selected to comply with the "small business issuer" disclosure requirements of Regulation SB of the Securities and Exchange Commission.

Sarbanes-Oxley Act.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Sarbanes-Oxley Act imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. Many of these requirements will affect us. For example:

* Our chief executive officer and chief financial officer must now certify the accuracy of all of our periodic reports that contain financial statements;

* Our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures; and

* We may not make any loan to any director or executive officer and we may not materially modify any existing loans.

The Sarbanes-Oxley Act has required us to review our current procedures and policies to determine whether they comply with the Sarbanes-Oxley Act and the new regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take whatever actions are necessary to ensure that we are in compliance.

"Penny Stock" Designation.

Our common stock is "penny stock" as defined in Rule 3a51-1 of the Securities and Exchange Commission. Penny stocks are stocks:

* with a price of less than five dollars per share;

* that are not traded on a "recognized" national exchange;

* whose prices are not quoted on the NASDAQ automated quotation system; or

* in issuers with net tangible assets less than $2,000,000, if the issuer has been in continuous operation for at least three years, or $5,000,000, if in continuous operation for less than three years, or with average revenues of less than $6,000,000 for the last three years.

Section 15(g) of the Exchange Act and Rule 15g-2 of the Securities and Exchange Commission require broker/dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before making any transaction in a penny stock for the investor's account. You are urged to obtain and read this disclosure carefully before purchasing any of our shares.

Rule 15g-9 of the Securities and Exchange Commission requires broker/dealers in penny stocks to approve the account of any investor for transactions in these stocks before selling any penny stock to that investor. This procedure requires the broker/dealer to:

* get information about the investor's financial situation, investment experience and investment goals;

* reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor can

evaluate the risks of penny stock transactions;

* provide the investor with a written statement setting forth the basis on which the broker/dealer made his or her determination; and

* receive a signed and dated copy of the statement from the investor, confirming that it accurately reflects the investor' financial situation, investment experience and investment goals.

Compliance with these requirements may make it harder for our stockholders to resell their shares.

Reporting Obligations.

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act to comply with the rules and regulations of the Securities and Exchange Commission regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to stockholders of our Company at a special or annual meeting thereof or pursuant to a written consent will require our Company to provide our stockholders with the information outlined in Schedules 14A or 14C of Regulation 14; preliminary copies of this information must be submitted to the Securities and Exchange Commission at least 10 days prior to the date that definitive copies of this information are forwarded to our stockholders.

We are also required to file annual reports on Form 10-KSB and quarterly reports on Form 10-QSB with the Securities Exchange Commission on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a current report on Form 8-K.

Cost and Effect of Compliance with Environmental Laws.

None, not applicable.

Research and Development Expenses.

We incurred no research and development expenses during the last fiscal year due to a lack of funding. However, we believe that continued investment in research and development will contribute to attaining our strategic objectives and, as a result, expect research and development expenses to increase in future periods.

Number of Employees.

We employ approximately 11 full-time employees of which three are in sales, five are in design and project management, one in accounting/finance and two in administration. We will hire part-time and additional full-time employees on an "as-needed" basis. None of our employees are represented by a labor union. We believe that our relationship with our employees is good.

Item 2. Description of Property.

The Company leases its principal executive offices, at 345 Bobwhite Court, Suite #200, Boise, Idaho 83706. These offices consist of approximately

5,412 square feet of office space. Rent obligations are $6,250/month under a non-cancelable operating lease.

Item 3. Legal Proceedings.

Warren Black v. PCS.

On January 18, 2002, Warren Black, a former independent contractor for the Company, filed a complaint against the Company alleging breach of contract. Mr. Black seeks the return of certain software products that he claimed to have provided the Company during his employment, or their monetary equivalent, which he claims to be $15,000. The Company settled this action in February 2003. Per the terms of the settlement agreement, the Company agreed to issue Mr. Black a $6,000 note in full satisfaction of his claim. The note was paid in quarterly installments of $1,500 plus accrued interest at 8.0% per annum. The note was paid in full as of February 4, 2004.

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

No matter was submitted to the Company's shareholders during the last quarter of our current fiscal year.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information.

There has never been any "established trading market" for our shares of common stock. Our common stock is presently quoted on the OTC Bulletin Board of the NASD under the symbol "PCSV" as reflected below. No assurance can be given that any market for our common stock will develop in the future or be maintained. If an "established trading market" ever develops in the future, the sale of "restricted securities" (common stock) pursuant to Rule 144 of the Securities and Exchange Commission by members of management or others may have a substantial adverse impact on any such market.

The range of high and low bid quotations for our common stock during each quarter since they commenced trading in September, 2001, are shown below. Prices are inter-dealer quotations as reported by the NQB, LLC, and do not necessarily reflect transactions, retail markups, mark downs or commissions.

Stock Quotations

Quarter Ended	High	Low
September 30, 2001	$0.60	$0.25
December 31, 2001	$0.28	$0.18
March 31, 2002	$0.25	$0.06
June 30, 2002	$0.19	$0.07

September 30, 2002	$0.20	$0.10
December 31, 2002	$0.15	$0.06
March 31, 2003	$0.10	$0.065
June 30, 2003	$0.12	$0.065
September 30, 2003	$0.12	$0.07
December 31, 2003	$0.17	$0.09
March 31, 2004	$0.30	$0.10

Recent Sales of Unregistered Securities.

During the last quarter, we sold the securities listed below in unregistered transactions. Each of the sales was sold in reliance on the exemption provided for in Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). No underwriting fee or other compensation was paid in connection with the issuance of shares.

Name	Date	Shares Issued	Consideration Paid in Dollars
Digital Wallstreet, Inc.	1/22/04	680,000	(1)
Anthony A. Maher	1/22/04	103,207	(2)
Leonard Burningham	1/22/04	106,384	(3)
Moshe Weiss and Hanna Weiss	2/9/04	75,000	15,000(5)
Barry L. Brown	2/2/04	100,000	12,000(4)
Eliezer Schloss	2/11/04	50,000	10,000(5)
Shmuel Dabi	2/12/04	50,000	10,000(5)
David Levosky	2/14/04	58,070	(6)
John Ariko	2/19/04	75,825	(6)
Hazen Sandwick	2/19/04	50,550	(6)
Samuel R. Trozzo	2/23/04	166,667	20,000(4)
Kenneth E. Dawkins	2/25/04	400,000	50,000(8)
Dave and Sue Kimball	3/1/04	50,670	(6)
Ronald A. Nelson	3/5/04	125,000	25,000(5)
Temporary Financial Services, Inc.	3/10/04	1,562,500	250,000(9)
Sam Mayer	3/24/04	50,000	10,000(5)
Charles Bradley	3/25/04	101,865	(6)
Sina Leatha	3/25/04	101,865	(6)
Steve Womack	3/29/04	50,975	(6)
Verl Jensen	2/19/04	15,165	(7)
Leonard and Sonia Coote	2/24/04	15,181	(7)
Robert and Ann Fyfe	3/3/04	5,069	(7)
Michael Yokoyama and Jaye Venuti	3/10/04	10,154	(7)
Kathleen Cullinan	3/24/04	5,092	(7)
Kapital Koncepts	3/26/04	10,189	(7)
Diana Gayle Smith	2/9/04	12,000	(10)
David C. Levosky	2/14/04	11,614	(7)
Hazen A. Sandwick	2/19/04	10,110	(7)
John G. Ariko, Jr.	2/19/04	15,165	(7)
Kimball Family Trust	3/1/04	10,134	(7)
Charles L. Bradley	3/25/04	20,373	(7)
Sina L. Leatha	3/25/04	20,373	(7)
Steve Womack	3/29/04	10,195	(7)

(1) These shares of common stock were issued for services at $0.11 per share ($75,000).

(2) These shares of common stock were issued for interest at $0.12 per share.

(3) These shares of common stock were issued for services at $0.12 per share.

(4) These shares of common stock were issued for cash at $0.12 per share.

(5) These shares of common stock were issued for cash at $0.20 per share.

(6) These shares of common stock were issued for conversion of preferred stock which was issued for indentured trust debt ranging from $10,000 plus interest to $20,000 plus interest.

(7) These preferred shares were issued for the conversion of indentured trust notes for amounts varying from $5,000 to $15,000, plus interest.

(8) These shares of common stock were issued for cash at $0.125 per share.

(9) These shares of common stock were issued for services at $.16 per share.

(10) These shares of preferred stock were issued for cash at $1.00 per share.

Holders.

As of June 28, 2004, there were 24,919,752 shares of common stock outstanding and approximately 450 stockholders of record.

Dividends.

We have not paid any cash dividends since our inception and do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of our business.

Securities Authorized For Issuance under Equity Compensation Plans.

On April 28, 2004, we entered into a Consulting Agreement with Javan Khazali, an independent consultant. This Consulting Agreement is for one year and consists of compensation Mr. Khazali for services such as: marketing and distribution strategies, structuring of transactions, vendor relations, and business development activities. On May 21, 2004, which is subsequent to the date of this Report, we filed an S-8 for 10,000,000 shares at $.35 under an Equity Compensation Plan entitled "2004 Non-Qualified Stock Option Plan and Non-Qualified Stock Option Agreement" with Javan Khazali."

Item 6. Management's Discussion and Analysis or Plan of Operation.

Results of Operation.

Results and Comparison for Fiscal Years

Fiscal year ended March 31, 2004, resulted in a net loss of ($152,351). This net loss is a decrease of $301,812, or 66%, from the net loss for fiscal year 2003 of ($454,163). The Basic Loss per Share for fiscal year 2004 is ($0.01), as compared to a loss per share of ($0.03) for fiscal year 2003. Details of changes in revenues and expenses can be found below.

Revenues

Revenues of $1,830,861 for fiscal year 2004 were down from revenues of $1,857,491 for fiscal year 2003 by $26,630, or 0.1%. In the fourth quarter of fiscal year 2004, we changed our policy to give our customers more choice in their lab materials. Under the new policy, our customers can choose where to purchase their lab materials (e.g. LEGO (Registered) manipulatives) and they simply purchase the PCS curriculum, customized furniture unit, and site license materials from PCS. There is no effect on our gross profit as our revenues are reduced by same amount as our cost of goods sold.

Revenues for our fourth quarter of this fiscal year were 70% higher than revenues for the same period during last fiscal year, $449,747 and $265,277, respectively. This increase in revenues, while slightly offset by our change in policy, is due to increased marketing efforts.

We believe that with the addition of several new independent sales agency groups, which signed on to represent our products in the first quarter of fiscal year 2005, we will achieve better market penetration and coverage than we have the past few years. Our current in-house sales force will continue to sell direct in the 20 or so states that we do not currently have representation in and will act as Regional Managers in support of the new rep organizations in those states where we are now represented.

Cost of Goods Sold/Cost of Sales

Cost of Goods Sold decreased $59,981, or 9%, from fiscal year 2003, $648,201, to fiscal year 2004, $588,220. This decrease is primarily due to our policy change, which removes the cost of goods component for our lab materials. See the Revenue section above for further discussion.

Cost of goods for the fourth quarter of fiscal year 2004 increased by $71,965, or 103%, from $70,163 in the fourth quarter of fiscal year 2003 to $142,128 for the same period during this fiscal year. This increase is due to the increase in sales as well as the transition to our new policy which removes cost of goods sold for lab materials (i.e. some of the lab sales were still under the previous policy and, therefore, cost of goods for lab materials is included).

Operating Expenses

Operating expenses decreased by $270,846, or 19%, from fiscal year 2003, when operating expenses were $1,460,450 to fiscal year 2004 when operating expenses were $1,237,604. This decrease is due cost containment strategies, including maintenance of lower staffing levels and an overall decrease in G&A expenses, including marketing and public relations.

Liquidity.

As of the fiscal year ended March 31, 2004, we had $113,820 in Cash, with total current assets of $619,422 and total current liabilities of $1,314,527. We have a stockholders' deficit of ($643,930).

Item 7. Financial Statements.

Consolidated Financial Statements for the years ended
March 31, 2004 and 2003

Independent Auditors Report

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
PCS Edventures!.COM, Inc., and Subsidiary
Boise, Idaho

We have audited the consolidated balance sheet of PCS Edventures!.COM, Inc., and Subsidiary (the "Company") as of March 31, 2004, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended March 31, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company

Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PCS Edventures!.COM, Inc., and Subsidiary as of March 31, 2004 and the results of their operations and their cash flows for the years ended March 31, 2004 and 2003, in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a working capital deficit that raises substantial doubt about their ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 9 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

HJ & Associates, LLC
Salt Lake City, Utah
June 25, 2004

F-3

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

ASSETS

	March 31, 2004
CURRENT ASSETS	
Cash	$ 113,820
Accounts receivable	449,518
Prepaid expenses	6,084
Note receivable (Note 12)	50,000
Deferred costs (Note 2)	-
Debt extension costs, net (Note 2)	-
Total Current Assets	619,422
FIXED ASSETS, NET (Note 3)	-
OTHER ASSETS	
Deposit on distribution rights (Note 13)	45,000
Deposits	6,175

Total Other Assets	51,175
TOTAL ASSETS	$ 670,597

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2004
CURRENT LIABILITIES	
Accounts payable	$ 55,665
Wages payable	38,436
Payroll taxes payable	182,949
Accrued interest	60,563
Accrued expenses (Note 14)	256,818
Unearned revenue (Note 2)	204,404
Notes payable - related parties (Note 5)	165,882
Notes payable (Note 6)	349,810
Total Current Liabilities	1,314,527
Total Liabilities	1,314,527
COMMITMENTS AND CONTINGENCIES (Note 8)	
STOCKHOLDERS' EQUITY (DEFICIT)	
Preferred stock, no par value, authorized 10,000,000 shares, 82,850 shares issued and outstanding (Note 4)	120,473
Common stock, no par value, authorized 40,000,000 shares; 24,132,910 shares issued and outstanding	23,023,323
Expenses prepaid with common stock (Note 4)	(67,292)
Accumulated deficit	(23,720,434)
Total Stockholders' Equity (Deficit)	(643,930)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 670,597

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

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

	For the Years Ended March 31, 2004	2003

REVENUES		
Lab Revenue	$1,661,838	$1,691,325
License Revenue	156,164	151,254
Subscription Revenue	12,859	14,912
Total Revenues	$1,830,861	$1,857,491
COST OF GOODS SOLD	588,220	648,201
GROSS PROFIT	1,242,641	1,209,290
OPERATING EXPENSES		
Salaries and wages	463,918	597,617
Depreciation expense	25,447	57,632
General and administrative	700,239	805,201
Total Operating Expenses	1,189,604	1,460,450
OPERATING INCOME (LOSS)	53,037	(251,160)
OTHER INCOME AND EXPENSES		
Interest expense	(214,804)	(219,194)
Interest income	18	63
Other income	4,398	-
Gain on settlement of debt (Note 7)	5,000	16,128
Total Other Income and Expenses	(205,388)	(203,003)
NET LOSS	$ (152,351)	$ (454,163)
BASIC LOSS PER SHARE (Note 2)	$ (0.01)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	19,447,429	15,284,032

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance, March 31, 2002	13,261,522	$21,596,003	-	$ -
Common stock issued for conversion of accounts payable at $0.08 per share	50,000	4,250	-	-
Common stock issued for conversion of accounts payable at $0.30 per share	15,000	4,500	-	-

Common stock issued for conversion of accounts payable at $0.07 per share	248,417	17,389	-	-
Common stock issued for prepaid services at $0.05 per share	515,000	27,500	-	-
Common stock issued for prepaid services at $0.07 per share	100,000	7,000	-	-
Common stock issued for services at $0.07 per share	157,500	11,025	-	-
Cancelled common stock previously issued for services that had not been performed	(20,000)	-	-	-
Common stock issued for conversion of debt at $0.13 per share	204,000	27,541	-	-
Common stock issued for conversion of warrants at $0.01 per share	9,808	98	-	-
Common stock issued for services at $0.16 per share	100,800	16,128	-	-
Balance Forward	14,642,047	$21,711,434	-	$ -

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance, March 31, 2002	$ -	$ (27,344)	$(23,076,297)
Common stock issued for conversion of accounts payable at $0.08 per share	-	-	-
Common stock issued for conversion of accounts payable at $0.30 per share	-	-	-
Common stock issued for conversion of accounts payable at $0.07 per share	-	-	-
Common stock issued for prepaid services at $0.05 per share	-	(27,500)	-

Common stock issued for prepaid services at $0.07 per share	-	(7,000)	-
Common stock issued for services at $0.07 per share	-	-	-
Cancelled common stock previously issued for services that had not been performed	-	-	-
Common stock issued for conversion of debt at $0.13 per share	-	-	-
Common stock issued for conversion of warrants at $0.01 per share	-	-	-
Common stock issued for services at $0.16 per share	-	-	-
Balance Forward	$ -	$ (61,844)	$(23,076,297)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	14,642,047	$21,711,434	-	$ -
Common stock issued for conversion of warrants at $0.01 per share	10,500	105	-	-
Common stock issued for extension of debt, valued at an average of $0.17 per share	233,250	41,353	-	-
Common stock issued for services at $0.16 per share	78,125	12,500	-	-
Common stock issued for conversion of warrants at $0.01 per share	13,055	131	-	-
Common stock issued for conversion of warrants at $0.01 per share	10,500	105	-	-

Common stock issued for prepaid services at $0.17 Per share	304,500	51,765	-	-
Common stock issued for conversion of accounts payable at $0.07 per share	181,289	11,888	-	-
Options issued to Directors for accrued Director's fees	-	45,000	-	-
Common stock issued for services at $0.095 per share	90,000	8,550	-	-
Common stock issued for services at $0.095 per share	153,125	14,547	-	-
Balance Forward	15,716,391	$21,897,378	-	$ -

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance Forward	$ -	$ (61,844)	$(23,076,297)
Common stock issued for conversion of warrants at $0.01 per share	-	-	-
Common stock issued for extension of debt, valued at an average of $0.17 per share	-	-	-
Common stock issued for services at $0.16 per share	-	-	-
Common stock issued for conversion of warrants at $0.01 per share	-	-	-
Common stock issued for conversion of warrants at $0.01 per share	-	-	-
Common stock issued for prepaid services at $0.17 Per share	-	(51,765)	-
Common stock issued for conversion of accounts payable at $0.07 per share	-	-	-
Options issued to Directors for			

accrued Director's fees	-	-	-
Common stock issued for services at $0.095 per share	-	-	-
Common stock issued for services at $0.095 per share	-	-	-
Balance Forward	$ -	$(113,609)	$(23,076,297)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	15,716,391	$21,897,378	-	$ -
Common stock issued for services at $0.095 per share	130,000	12,350	-	-
Common stock issued for conversion of debt at $0.10 per share	1,290,000	129,000	-	-
Common stock issued for cash at $0.10 per share	670,000	67,000	-	-
Common stock issued for conversion of warrants at $0.01 per share	25,910	259	-	-
Amortization of deferred consulting expense	-	-	-	-
Net loss for the year ended March 31, 2003	-	-	-	-
Balance, March 31, 2003	17,832,301	21,105,987	-	-
Common stock issued for extinguishment of debt and interest at $0.09 per share	35,000	3,150	-	-
Options issued to directors for accrued director's fees (Note 11)	-	17,857	-	-
Contribution of capital (Note 11)	-	27,143	-	-
Common Stock issued for conversion of accounts payable at $0.09 per share	11,111	1,000	-	-
Balance Forward	17,878,412	$21,155,137	-	$ -

========== =========== ========= ============

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance Forward	$ -	$(113,609)	$(23,076,297)
Common stock issued for services at $0.095 per share	-	-	-
Common stock issued for conversion of debt at $0.10 per share	-	-	-
Common stock issued for cash at $0.10 per share	-	-	-
Common stock issued for conversion of warrants at $0.01 per share	-	-	-
Amortization of deferred consulting expense	-	113,609	-
Net loss for the year ended March 31, 2003	-	-	(454,163)
Balance, March 31, 2003	-	-	(23,530,460)
Common stock issued for extinguishment of debt and interest at $0.09 per share	-	-	-
Options issued to directors for accrued director's fees (Note 11)	-	-	-
Contribution of capital (Note 11)	-	-	-
Common Stock issued for conversion of accounts payable at $0.09 per share	-	-	-
Balance Forward	$ -	$ -	$(23,530,460)

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

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

Common Shares	Preferred Shares

	Shares	Amount	Shares	Amount
Balance Forward	17,878,412	$22,137,280	-	$ -
Common stock issued to related party for conversion of accrued interest at $0.10 per share	202,234	20,223	-	-
Common stock issued for the conversion of warrants at $0.01 per share	19,050	191	-	-
Repriced options granted below market value	-	6,000	-	-
Options granted below market value	-	8,250	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	5,000	5,000
Preferred stock issued for cash at $1.00 per share	-	-	5,000	5,000
Discount on preferred stock	-	-	-	2,500
Common stock issued for extension of debt at $0.10 per share	57,600	5,760	-	-
Common stock issued for conversion of debt at $0.10 per share	150,000	15,000	-	-
Common stock issued for cash at $0.01 per share	150,000	15,000	-	-
Balance forward	18,457,296	$ 22,225,561	10,000	$ 12,500

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance forward	$ -	$ -	$(23,530,460)
Common stock issued to related party for conversion of accrued			

interest at $0.10 per	-	-	-
Common stock issued for the conversion of warrants at $0.01 per share	-	-	-
Repriced options granted below market value	-	-	-
Options granted below market value	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Preferred stock issued for cash at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,500)
Common stock issued for extension of debt at $0.10 per share	-	-	-
Common stock issued for conversion of debt at $0.10 per share	-	-	-
Common stock issued for cash at $0.01 per share	-	-	-
Balance forward	$ -	$	$(23,532,960)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	18,457,296	$ 22,225,561	10,000	$ 12,500
Common stock issued for the conversion of warrants at $0.01 per share	6,000	60	-	-
Common stock issued for cash at $0.10 per share	550,000	55,000	-	-

Revaluation of repriced and outstanding options	-	(500)	-	-
Common stock issued for cash at $0.10 per share	200,000	20,000	-	-
Common stock issued for the conversion of warrants at $0.01 per share	6,000	60	-	-
Common stock issued for cash at $0.10 per share	250,000	25,000	-	-
Common stock issued for cash at $0.10 per share	200,000	20,000	-	-
Common stock issued for the conversion of warrants at $0.01 per share	3,000	30	-	-
Common stock issued for cash at $0.10 per share	200,000	20,000	-	-
Common stock issued for cash at $0.12 per share	200,000	24,000	-	-
Balance forward	20,072,296	$ 22,389,211	10,000	$ 12,500

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance forward	$ -	$ -	$(23,532,960)
Common stock issued for cash at $0.10 per share	-	-	-
Common stock issued for the conversion of warrants at $0.01 per share	-	-	-
Common stock issued for cash at $0.10 per share	-	-	-
Common stock issued for cash at $0.10 per share	-	-	-
Common stock issued for the conversion of warrants at $0.01 per share	-	-	-
Common stock issued for cash at $0.10 per share	-	-	-

Common stock issued for cash at $0.12 per share	-	-	-
Balance forward	$ -	$ -	$(23,532,960)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	20,072,296	$ 22,389,211	10,000	$ 12,500
Common stock issued for cash at $.012 per share	200,000	24,000	-	-
Common stock issued for services and prepaid services at $0.12	680,000	85,000	-	-
Common stock issued for accrued interest at $0.12	103,207	12,385	-	-
Common stock issued for accrued legal fees at $.012	106,384	12,766	-	-
Common stock issued for cash at $0.12 per share	100,000	12,000	-	-
Common stock issued for cash at $0.12 per share	75,000	15,000	-	-
Preferred stock issued for cash at $1.00 per share	-	-	12,000	12,000
Discount on preferred stock	-	-	-	3,000
Common stock issued for cash at $0.20 per share	50,000	10,000	-	-
Common stock issued for cash at $0.20 per share	50,000	10,000	-	-
Balance forward	21,436,887	$22,570,362	22,000	$ 27,500

[CONTINUED]

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

Deferred

	Expenses Prepaid with common stock	Consulting Fees	Accumulated Deficit
Balance forward	$ -	$ -	$(23,532,960)
Common stock issued for cash at $.012 per share	-	-	-
Common stock issued for services and prepaid services at $0.12	(67,292)	-	-
Common stock issued for accrued interest at $0.12	-	-	-
Common stock issued for accrued legal fees at $.012	-	-	-
Common stock issued for cash at $0.12 per share	-	-	-
Common stock issued for cash at $0.12 per share	-	-	-
Preferred stock issued for cash at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(3,000)
Common stock issued for cash at $0.20 per share	-	-	-
Common stock issued for cash at $0.20 per share	-	-	-
Balance forward	$ (67,292)	$ -	$(23,535,960)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	21,436,887	$22,570,362	22,000	$ 27,500
Preferred stock issued for conversion of debt at $1.00 per share	-	-	11,614	11,613
Discount on preferred stock	-	-	-	2,903
Common stock issued for				

conversion of preferred at $0.20 per share	58,070	11,613	(11,614)	(11,613)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	15,165	15,165
Discount on preferred stock	-	-	-	3,791
Preferred stock issued for conversion of debt at $1.00 per share	-	-	25,274	25,274
Discount on preferred stock	-	-	-	(2,527)
Common stock issued for conversion of preferred at $0.20 per share	126,375	25,274	(25,275)	(25,274)
Common stock issued for cash at $0.12 per share	166,667	20,000	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	15,181	15,181
Discount on preferred stock	-	-	-	3,795
Common stock issued for cash at $.125 per share	400,000	50,000	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	10,134	10,134
Common stock issued for conversion of preferred at $0.20 per share	50,670	10,134	(10,134)	(10,134)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	5,069	5,069
Discount on preferred stock	-	-	-	1,267
Balance forward	22,238,669	$22,687,383	57,415	$ 77,198

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance forward	$ (67,292)	$ -	$(23,535,960)
Preferred stock issued for conversion of debt			

at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,903)
Common stock issued for conversion of preferred at $0.20 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(3,791)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,527)
Common stock issued for conversion of preferred at $0.20 per share	-	-	-
Common stock issued for cash at $0.12 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(3,795)
Common stock issued for cash at $0.125 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Common stock issued for conversion of preferred at $0.20 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(1,267)
Balance forward	$ (67,292)	$ -	$(23,550,243)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	22,238,669	$22,687,383	57,415	$ 77,198
Common stock issued for cash at $0.20 per share	125,000	25,000	-	-
Common stock issued for cash at $.016 per share	1,562,500	250,000	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	10,154	10,154
Discount on preferred stock	-	-	-	2,538
Preferred stock issued for conversion of debt at $1.00 per share	-	-	5,092	5,092
Discount on preferred stock	-	-	-	1,273
Common stock issued for cash at $0.20 per share	50,000	10,000	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	40,745	40,745
Discount on preferred stock	-	-	-	8,149
Common stock issued for conversion of preferred at $0.25 per share	203,730	40,745	(40,746)	(40,745)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	10,189	10,189
Discount on preferred stock	-	-	-	2,547
Preferred stock issued for conversion of debt at $1.00 per share	-	-	10,195	10,195
Discount on preferred stock	-	-	-	2,039
Common stock issued for conversion of debt at $0.25 per share	50,975	10,195	(10,195)	(10,195)
Balance forward	24,230,874	$23,023,323	82,850	$ 119,179

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance forward	$ (67,292)	$ -	$(23,550,243)
Common stock issued for cash at $0.20 per share	-	-	-
Common stock issued for cash at $.016 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,538)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(1,273)
Common stock issued for cash at $0.20 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(8,149)
Common stock issued for conversion of preferred at $0.25 per share	-	-	-
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,547)
Preferred stock issued for conversion of debt at $1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,039)
Common stock issued for conversion of debt at $0.25 per share	-	-	-
Balance forward	$ (67,292)	$ -	$(23,566,789)

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

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	24,230,874	$23,023,323	82,850	$ 119,179
Pro-rata cumulative non-cash preferred stock dividend	-	-	-	1,294
Net loss for the year ended March 31, 2004	-	-	-	-
Balance, March 31, 2004	24,230,874	$23,023,323	82,850	$ 120,473

[CONTINUED]

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

	Expenses Prepaid with common stock	Deferred Consulting Fees	Accumulated Deficit
Balance forward	$ (67,292)	$ -	$(23,566,789)
Pro-rata cumulative non-cash preferred stock dividend	-	-	(1,294)
Net loss for the year ended March 31, 2004	-	-	(152,351)
Balance, March 31, 2004	$ (67,292)	$ -	$(23,720,434)

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

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

	For the Years Ended March 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (152,351)	$ (454,163)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	25,447	57,632
Non-cash debt default additions	52,625	-
Amortization of debt offering and extension costs	5,460	24,654

Amortization of debt discount	-	58,195
Amortization of expenses prepaid with common stock	-	113,609
Common stock issued for services	30,474	75,100
Intrinsic value of stock options issued for services	14,250	-
Gain on settlement of debt	(5,000)	(16,128)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(104,185)	9,671
(Increase) decrease in prepaid expenses	97,578	(103,662)
(Increase) decrease in inventories	2,073	(2,073)
(Increase) decrease in deposits	(5,750)	6,575
Increase in accounts payable and accrued liabilities	25,096	81,916
Increase in interest payable	-	11,652
(Decrease) in unearned revenue	(178,085)	(14,526)
Net Cash Used by Operating Activities	(192,368)	(151,548)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of notes receivable	(50,000)	-
Deposit on distribution rights	(45,000)	-
Net Cash Used by Investing Activities	(95,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	(8,053)	(36,669)
Proceeds from related party notes	-	27,000
Payments to related party notes	-	(20,000)
Proceeds from notes payable	450,898	680,866
Payments on notes payable	(675,447)	(546,263)
Debt offering and extension costs	-	(52,034)
Proceeds from sales of preferred stock	17,000	-
Proceeds from sales of common stock	605,341	109,051
Net Cash Provided by Financing Activities	389,739	161,951
INCREASE IN CASH	102,371	10,403
CASH AT BEGINNING OF YEAR	11,449	1,046
CASH AT END OF YEAR	$ 113,820	$ 11,449

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

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

	For the Years Ended March 31, 2004	2003
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for services	$ 30,474	$ 75,100

Common stock issued for conversion of notes payable and interest	$ 53,370	$ 156,541
Common stock issued for conversion of accounts payable	$ 4,000	$ 38,027
Common stock issued for conversion of preferred stock	$ 97,961	$ -
Options issued to directors for accrued directors fees	$ 45,000	$ 45,000
Preferred stock issued as consideration for notes payable	$ 166,124	$ -
Cash Paid For:		
Interest	$ 115,975	$ 97,057
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
March 31, 2004 and 2003

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements presented are those of PCS Edventures!.COM, Inc., an Idaho Corporation, and its wholly-owned subsidiary, PCS Schools, Inc., an Idaho corporation (collectively, "the Company").

On August 3, 1994, PCS Edventures!.COM, Inc., was incorporated under the laws of Idaho to engage in web-based and site-licensable educational products.

In October 1994, an agreement was authorized allowing the Company to exchange, on a one-for-one basis, common stock for stock of PCS Schools, Inc. As a result of this agreement, PCS Schools, Inc., became a wholly-owned subsidiary of the Company.

On March 27, 2000, the Company changed its name from PCS Education Systems, Inc. to PCS Edventures!.COM, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a March 31 year end.

b. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Revenue Recognition

The Company recognizes revenues as required by Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements".

Lab Revenue

The Company recognizes revenues relating to sales of the Academy of Engineering (AOE) and Edventures! labs as they are delivered to the customers. Binding purchase orders, typically from school districts, are recorded upon receipt as accounts receivable, with an offsetting amount recorded as unearned revenue. Revenue is only recognized once the product has been delivered to the customer and all other obligations have been met. All product inventory is purchased on a sale-by-sale basis, and is shipped directly from third-party suppliers to the end

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Revenue Recognition (Continued)

Lab Revenue (Continued)

customer. Accordingly, all costs associated with the purchase of product inventory are also deferred until the product is delivered. As of March 31, 2004, the Company has recorded unearned revenues and deferred costs of $204,404 and $0, respectively.

Licensing Revenue

The Company recognizes revenues relating to the AOE lab and the Edventures! lab site licenses over the 1-year term of the license beginning when the physical lab equipment and the license has been delivered. Subsequent sales of AOE or Edventures! lab licenses are recorded on the sale of the license and recognized over a 1 year time period to revenue. Each lab license is for a period of 1 year from the date of the renewal.

Subscription Revenue

The Company recognizes revenues relating to the subscriptions sold to their edventures.com website on a monthly basis. Revenues relating to other activities such as education services delivered are recognized when the services are rendered. If a customer decides to discontinue the use of the products, the customer must return all of the information received except for the physical lab equipment. Additionally, the customer will not have access to the license when the contract is terminated. The Company does not have an obligation to refund any portion of the proceeds received for either the sale of the AOE lab license or the subsequent renewals of the licenses.

d. Principles of Consolidation

The accompanying consolidated financial statements consolidate the accounts of the parent company and its wholly-owned subsidiary. All significant inter-company accounts and transactions have been eliminated in consolidation.

e. Provision for Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely that not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Provision for Income Taxes (Continued)

Net deferred tax assets consist of the following components as of March 31, 2004, and 2003:

	2004	2003
Deferred tax assets:		
NOL Carryover	$ 2,981,523	$3,012,800
Deferred tax liabilities:	-	-
Valuation allowance	(2,981,523)	(3,012,800)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate of 39% to pretax income from continuing operations for the years ended March 31, 2004 and 2003 due to the following:

	2004	2003
Book loss	$(59,420)	$(177,124)
Stock for services/options expense	19,233	73,596
Penalties	27,365	10,716
Other	(673)	12,797
NOL utilization	13,495	-
Valuation allowance	-	80,015
	$ -	$ -

At March 31, 2004, the Company had net operating loss carryforwards of approximately $7,600,000 that may be offset against future taxable income from the year 2004 through 2024. No tax benefit has been reported in the March 31, 2004 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Debt Offering Costs

Debt offering costs are related to private placements in 2001, and have been amortized on a straight line basis over the term of the related debt. Amortization expense related to these costs was $11,622 in 2003 and were fully amortized as of March 31, 2003.

g. Debt Extension Costs

As the 2001 private placement units came due, the Company entered into debt extension agreements with most of the individual debt holders. Per the terms of the extension agreements, each unit, of $1,000 each, would be extended for one year in exchange for 500 shares of common stock. In total, 233,250 shares of common stock, valued at $41,353, were issued to extend $491,500 of debt. The Company also incurred administrative fees of $9,830 related to the extensions. The combined value of the common stock and administrative fees has been capitalized and amortized over the term of the one-year extensions. During the year ended March 31, 2004 and 2003, the Company amortized $5,460 and $46,573, respectively. These costs are fully amortized as of March 31, 2004.

h. Basic Loss Per Share

The computation of basic loss per share of common stock is based on the weighted average number of shares outstanding during the period of the financial statements. Diluted loss per share is equal to basic loss per share as the result of the antidilutive nature of the stock equivalents. The Company has excluded 4,497,867 potential common stock equivalents from the calculation of basic loss per share.

	For the Years Ended March 31, 2004	2003
Basic loss per share from operations:		
Numerator - loss	$(152,351)	$(454,163)
Denominator - weighted average number of shares outstanding	19,447,429	15,284,032
Loss per share	$ (0.01)	$ (0.03)

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Newly Issued Accounting Pronouncements

During the year ended March 31, 2004, the Company adopted the following accounting pronouncements:

SFAS No. 149 -- In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" which is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and hedging activities under SFAS 133. The adoption of SFAS No. 149 did not have a material effect on the financial statements of the Company.

SFAS No. 150 -- In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. The adoption of SFAS No. 150 did not have a material effect on the financial statements of the Company.

FASB Interpretation No. 46 -- In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material impact on the Company's financial statements.

F-22

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Newly Issued Accounting Pronouncements (Continued)

During the year ended March 31, 2004, the Company adopted the following Emerging Issues Task Force Consensuses: EITF Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables", EITF Issue No. 01 8 " Determining Whether an Arrangement Contains a Lease", EITF Issue No. 02-3 "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities", EITF Issue No. 02-9 "Accounting by a Reseller for Certain Consideration Received from a Vendor", EITF Issue No. 02-17, "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination", EITF Issue No. 02-18 "Accounting for Subsequent Investments in an Investee after Suspension of Equity Method Loss Recognition", EITF Issue No. 03-1, "The Meaning of Other Than Temporary and its Application to Certain Instruments", EITF Issue No. 03-5, "Applicability of AICPA Statement of Position 9702, 'Software Revenue Recognition' to Non-Software Deliverables in an Arrangement Containing More Than Incidental Software", EITF Issue No. 03-7, "Accounting for the Settlement of the Equity Settled Portion of a Convertible Debt Instrument That Permits or Requires the Conversion Spread to be Settled in Stock", EITF Issue No. 03-10, "Application of EITF Issue No. 02-16 by

Resellers to Sales Incentives Offered to Consumers by Manufacturers.

j. Stock Options

As permitted by FASB Statement 148 "Accounting for Stock Based Compensation Transition and Disclosure" (SFAS No. 148), the Company elected to measure and record compensation cost relative to employee stock option costs in accordance with Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees", and related interpretations and make proforma disclosures of net income and earnings per share as if the fair value method of valuing stock options granted to employees when the option price is less that the market price of the underlying common stock on the date of grant.

k. Property and Equipment

Property and equipment are recorded at cost and being depreciated for financial accounting purposes on the straight-line method over their respective estimated useful lives ranging from five to seven years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the results of operations.

Expenditures for maintenance and repairs are charged to operations. Renewals and betterments are capitalized. Depreciation of leased equipment under capital leases is included in depreciation.

NOTE 3 - FIXED ASSETS

Assets and depreciation for the period are as follows:

	March 31, 2004
Computer equipment	$ 343,093
Office equipment	54,638
Education assets and software	278,885
Accumulated depreciation	(676,616)
Total Fixed Assets	$ -

Depreciation expense for the years ended March 31, 2004 and 2003 was $25,447 and $57,632, respectively.

NOTE 4 - COMMON AND PREFERRED STOCK TRANSACTIONS

a. Common Stock

During the year ended March 31, 2003, the Company received $698 in exchange for the conversion of 69,773 warrants into an equivalent number of common stock at $0.01 per share.

During the year ended March 31, 2003, the Company issued 233,250 shares of common stock in exchange for one-year extension agreements related to the 2001 private placement. The share were valued at an average of $0.17 per share.

During the year ended March 31, 2003, the Company sold 670,000 shares of common stock for $0.10 per share.

During the year ended March 31, 2003, the Company issued 494,706 shares of common stock in exchange for accounts payable valued at $38,027.

During the year ended March 31, 2003, the Company issued 1,494,000 shares of common stock in exchange for notes payable valued at $156,541.

During the year ended March 31, 2003, the Company issued 1,629,050 shares of common stock in exchange for services valued at $161,365.

During the year ended March 31, 2004, the Company received $341 in exchange for the conversion of 34,050 in warrants at $0.01 per share.

During the year ended March 31, 2004, the Company issued 57,600 shares of common stock in exchange for a one-year extension agreement related to the 2001 private placement. The shares were valued at $0.10 per share, or $5,760.

During the year ended March 31, 2004, the Company sold 4,529,167 shares of common stock for cash of $653,000, or an average price of $0.12 per share.

NOTE 4 - COMMON AND PREFERRED STOCK TRANSACTIONS (Continued)

a. Common Stock (Continued)

During the year ended March 31, 2004, the Company issued 46,111 shares of common stock in exchange for accounts payable valued at $4,150, or an average of $0.09 per share.

During the year ended March 31, 2004, the Company issued 150,000 shares of common stock for conversion of $15,000 in notes payable or $0.10 per share.

During the year ended March 31, 2004, the Company issued 786,384 shares of common stock in exchange for services valued at $30,474, or an average of $0.04 per share.

During the year ended March 31, 2004, the Company issued 305,441 shares of common stock for accrued interest payable to a related party in the amount of $34,220, or an average of $0.11 per share.

During the year ended March 31, 2004, the Company issued 489,820 shares of common stock for the conversion of 97,964 shares of preferred stock at $0.20 per share.

b. Preferred Stock

On September 4, 2003, the Company amended its articles of incorporation to establish a preferred class of stock. Under the amendment, 10,000,000 shares of the preferred stock have been authorized. The preferred shares are convertible into shares of common stock at a 20% discount and have a $0.25 cap on the conversion price. The Company has reserved the option to convert the shares into common stock at any point that the average trading price of the Company's common stock for the previous 30 days exceeds to $0.50.

The Company recognized a total of $20,712 as beneficial conversion feature on the issuance of preferred stock during 2004 as a result of the ability to convert into common stock at a 20% discount. The beneficial conversion feature has been charged directly to accumulated deficit.

The convertible preferred shares also include a cumulative 10% per annum non-cash dividend, which at March 31, 2004 amounted to $1,294 and has been charged directly to accumulated deficit.

During the year ended March 31, 2004, the Company sold 17,000 shares of preferred stock for cash of $17,000, or $1.00 per share.

During the year ended March 31, 2004, the Company issued 163,814 shares of preferred stock for conversion of $161,500 in notes payable and $2,310 in accrued interest, or $1.00 per share.

F-25

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 5 - NOTES PAYABLE - RELATED PARTIES

Notes payable - related parties consisted of the following at March 31, 2004:

Notes payable to the President bearing interest at 10% per annum, all unpaid principal and interest due on demand	$ 165,882
Total Notes Payable Related Parties	$ 165,882

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following at March 31, 2004:

Notes payable related to private placement memorandum bearing interest at 8.00% per annum, with payments due April 6, 2002, through August 29, 2004, $141,500 past due	$ 217,000
Notes payable to four unrelated individuals bearing interest at 8.0% to 11.2% per annum, with payment due within one year, unsecured	26,665
Line of credit with a bank bearing interest at 13.99% per annum, unsecured	41,062
Line of credit with a bank bearing interest at 7.0% per annum, past due, unsecured	26,549
Line of credit with a financing institution with varying interest charges, due periodically (generally monthly), secured by assets and specific receivables	38,534
Total Notes Payable	$ 349,810

All notes payable are considered to be current.

NOTE 7 - GAIN ON SETTLEMENT OF DEBT

On June 18, 2002, the Company reached a settlement agreement with a financial institution whereby the Company agreed to pay $20,000 in full satisfaction of a $28,308 debt, which included principal and interest of $25,208 and $3,100, respectively. The difference of $8,308 was recorded as a gain on settlement of debt. The $20,000 obligation was paid-in-full as of March 31, 2003.

On March 3, 2003, the Company reached a settlement agreement with a company to settle a $25,820 debt in exchange for a new promissory note for $18,000. The promissory note does not accrue interest and is payable in monthly installments of $750 until the balance is paid-in-full. The difference of $7,820 was recorded as a gain on settlement of debt. The debt is now again in default and has been classified as an accrued liability (See Note 14)

NOTE 7 - GAIN ON SETTLEMENT OF DEBT (Continued)

During 2004, a $5,000 payable dating back over three years and in dispute, was forgiven by the vendor.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Lease Obligation

The Company leases its office under a non-cancelable lease agreement accounted for as an operating lease. The lease expires in March 2008.

Minimum rental payments under the non-cancelable operating lease is as follows:

Years ending March 31,	Amount
2005	$ 75,500
2006	81,500
2007	87,500
2008	85,250
2009	-
Total	$ 329,750

Rent expense was $69,500 and $74,132 for the years ended March 31, 2004 and 2003, respectively.

Litigation

Warren Black v. PCS - On January 18, 2002, Warren Black, a former independent contractor for the Company, filed a complaint against the Company alleging breach of contract. Mr. Black sought the return of certain software products that he claimed to have provided the Company during his employment, or their monetary equivalent, which he claimed to be $15,000. The Company settled this action in February 2003. Per the terms of the settlement agreement, the Company agreed to issue Mr. Black a $6,000 note in full satisfaction of his claim. The note payable was paid in four quarterly installments of $1,500 during 2004.

Key Bank v. PCS and Maher - On March 26, 2002, Key Bank, filed a complaint against the Company seeking recovery of $25,208 and accrued interest alleged to be owed by the Company on a promissory note executed by the Company and guaranteed by Anthony A. Maher, the Company's President and CEO. The Company settled this claim on June 18, 2003, in exchange for $20,000 in cash. As of

March 31, 2003, the settlement was paid-in-full and the difference of $8,308 was recorded as a gain on settlement of debt during 2003.

During March 2004, the Company received a notice of default from the attorneys for Xerox Capital Services, LLC (Xerox), in which Xerox assets that the Company is in default on two lease agreements and a promissory note in the amount of $88,242.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (Continued)

The Company does not dispute this amount, has included this balance in accrued expenses (See Note 14) and is attempting to settle the debt.

NOTE 9 - 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. Management's plans with respect to alleviating the adverse financial conditions that caused you to express substantial doubt about the Company's ability to continue as a going concern are as follows:

During the fiscal year ending March 2004, the Company added depth to one of its most popular product lines, the PCS Brick Lab, introducing the Brick Lab Grade Series for Grades 1 2 with plans to introduce Grades 3 4 during fiscal year 2005 and Grades 5 6 during fiscal year 2006. The Company has also entered into a distribution agreement which will complement its engineering curriculum and labs. In addition to widening and deepening its product mix, the Company has also entered into agreements with independent sales agency groups which the Company believes will provide better market penetration and coverage. In addition, the Company intends to continue offering its common stock to raise and additional capital necessary to cover operating expenses and its cost containment strategy, not investing significant amounts of capital to research and development.

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 10 - DILUTIVE INSTRUMENTS

a. Stock Options

SFAS No. 148, requires the Company to provide pro forma information regarding net loss and net loss 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. 148. The current year pro forma net loss includes $13,722 of prior year option expense amortization. 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 163% percent for all years; risk-free interest rates of 3% to 6%, and expected lives of 3 to 10 years.

	For the Years Ended March 31, 2004	2003
Net loss:		
As reported	$ (152,351)	$ (454,163)
Pro Forma	(272,508)	(653,702)
Net loss per share:		
As reported	$ (0.01)	$ (0.03)
Pro Forma	(0.01)	(0.04)

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 10 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

The Company has granted the following options as of March 31, 2004:

Description	Date of Grant	Exercise Number	Exercise Price	Amount Exercised
1) Consultant	9-20-00	200,000	$ 0.50	0
2) Employees	9-01-00	25,000	$ 0.75	0
3) Director	01-05-01	25,000	$ 0.75	0
4) Employee	10-24-01	50,000	$ 0.30	0
5) Employee	12-01-01	24,230	$ 0.15	0
6) Board Members	12-10-01	1,000,000	$ 0.30	0
7) Board Members	06-03-02	1,000,000	$ 0.16	0
8) Employees	07-01-02	335,000	$ 0.16	0
9) Employee	07-15-02	15,000	$ 0.16	0
10) Employee	08-15-02	5,000	$ 0.16	0
11) Board Members	10-21-02	499,998	$ 0.09	0
12) Board Members	05-15-03	892,855	$ 0.07	0
13) Employee	05-20-03	100,000	$ 0.07	0
14) Employee	07-25-03	25,000	$ 0.10	0
15) Employee	09-05-03	150,000	$ 0.07	0
		4,347,083		

Description	Fair Value	Risk-Free Interest Rate	Expected Life	Expected Volatility
1) Consultant	$ 0.42	6.15%	3.00	89.37%

2)	Employees	$ 0.52	6.21%	3.00	85.69%
3)	Employees	$ 0.52	6.21%	3.00	84.39%
4)	Employees	$ 0.19	3.76%	3.00	100.52%
5)	Employee	$ 0.14	3.76%	3.00	99.80%
6)	Board Members	$ 0.20	3.76%	10.00	99.80%
7)	Board Members	$ 0.15	5.69%	10.00	128.9%
8)	Employee	$ 0.14	5.48%	3.50	157.77%
9)	Employee	$ 0.14	2.84%	3.50	152.96%
10)	Employee	$ 0.14	2.84%	3.30	163.77%
11)	Board Members	$ 0.09	2.84%	10.00	158.83%
12)	Board Members	$ 0.09	3.94%	10.00	151.61%
13)	Employee	$ 0.06	3.94%	4.00	151.61%
14)	Employee	$ 0.12	2.81%	4.00	156.24%
15)	Employee	$ 0.11	2.81%	4.00	152.03%

NOTE 10 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

On May 15, 2003, the Company authorized and issued 892,855 options to Board Members as payment for accrued directors fees. These options vested immediately and have an exercise price of $0.07 per share. The options were determined to have a fair value of $0.09 per share using the Black-Scholes valuation model. The intrinsic value of the shares of $0.02 per share, or $17,857, was recorded as an offset to the accrued liability with the net balance of 27,143 being applied to equity as contribution to captial. The granting of these options resulted in a $61,545 increase in pro forma net loss of the Company.

On May 20, 2003, the Company authorized and issued 100,000 options to an employee. These options vest over three years and have an exercise price of $0.07 per share. The options were determined to have a fair value of $0.06 per share using the Black-Scholes valuation model, there was no intrinsic value expense associated with the issuance of these options. The granting of these options resulted in a $5,725 increase in pro forma net loss of the Company.

On July 15, 2003, the Company authorized and issued 200,000 and 50,000 options to a director and an employee, respectively, as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of $0.10 per share. The options were initially determined to have an intrinsic value of $0.02 per share and a fair value of $0.11 per share using the Black-Scholes valuation model. As such, the Company recognized $5,000 of expense and a $21,949 increase in pro-forma net loss. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As the intrinsic value of the options remained unchanged as of the date of revaluation, there was no change to the recorded expense related to the options. The Black-Scholes value of the shares decreased by $264, and as such, the pro-forma effect of the options was reduced to $21,685. These options were cancelled by the Company during December 2003.

On July 25, 2003, the Company authorized and issued 25,000 options to an employee as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of $0.10 per share. The options were initially determined to have an intrinsic value of $0.03 per share and a fair value of $0.12 per share using the Black-Scholes valuation model. As such, the Company recognized $750 of current period expense and a $2,183 increase in pro-forma net loss. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As a result of the revaluation, there was a $250 decrease in the intrinsic value of the options and a corresponding decrease in the recorded expense. The Black-Scholes value of the shares decreased by $264, and as such, the pro-forma effect of the options was reduced to $1,669. These options were cancelled by the Company during December 2003.

NOTE 10 -DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

On July 25, 2003, the Company authorized and issued 25,000 options to an employee. These options vest over three years and have an exercise price of $0.10 per share. The options were initially determined to have an intrinsic value of $0.03 per share and a fair value of $0.12 per share using the Black-Scholes valuation model. As such, the Company recognized $750 of current period expense and a $2,183 increase in pro-forma net loss.

On September 1, 2003, the Company authorized and issued 50,000 options to an employee as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of $0.12 per share. The options were initially determined to have an intrinsic value of $0.005 per share and a fair value of $0.11 per share using the Black-Scholes valuation model. As such, the Company recognized $250 of current period expense and a $5,019 increase in pro-forma net loss. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As the intrinsic value of the options remained unchanged as of the date of revaluation, there was no change to the recorded expense related to the options. The Black-Scholes value of the shares increased by $3, and as such, the pro-forma effect of the options was increased to $4,772. These options were cancelled by the Company during December 2003.

On September 5, 2003, the Company authorized and issued 150,000 options to an employee. These options vest over three years and have an exercise price of $0.07 per share. The options were determined to have an intrinsic value of $0.05 per share and a fair value of $0.11 per share using the Black-Scholes valuation model. As such, the Company recognized $7,500 of current period expense and a $8,856 increase in pro-forma net loss.

b. Warrants

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. The discount was fully amortized as of March 31, 2003.

During the year ended March 31, 2003, 69,773 of these warrants were exercised and converted into an equivalent number of common shares in exchange for $698 in cash.

During the year ended March 31, 2004, an additional 34,050 of these warrants were exercised in exchange for $340 in cash.

NOTE 11 -RELATED PARTY TRANSACTIONS

During the year ended March 31, 2003, three members of the Company's board of directors acted as guarantors on a promissory note that provided the Company $60,600 in financing. This note was paid in full during 2004.

During the year ended March 31, 2003, the Company repaid debt owed to officers of the Company of $20,000.

During the year ended March 31, 2003, the Company borrowed $27,000 from the President of the Company.

On October 21, 2002, the Company authorized and issued options to purchase 499,998 shares of common stock to Board Members as payment for accrued directors fees totaling $45,000. These options vested immediately and have an exercise price of $0.09 per share. This payment covered all directors fees incurred for the year ended March 31, 2002. As of March 31, 2003, the Company still owes these directors $45,000 for services rendered during the year ended March 31, 2003.

On May 15, 2003, the Company authorized and issued options to purchase 892,855 shares of common stock to Board Members as payment of $45,000 in accrued director fees. The intrinsic value of these options was $17,857, while the difference, $27,143, was treated as contributed capital from extinguishment of related party debt.

During 2004, the Company issued 305,441 shares of common stock to the Company's President in payment of $32,608 in accrued interest. The stock was valued at the market price of the stock on the dates of conversion, or an average of $0.11 per share.

NOTE 12 - NOTE RECEIVABLE

During March 2004, the Company entered into a Letter of Intent to purchase a company (Acquiree) which never came to fruition. As a result of this Letter of Intent, the Company lent the Acquiree $50,000 under a short-term note. The note was due upon demand and accrued interest at a rate of 1.5% per month. During April 2004, the Company collected the entire principle and interest amounts on this note.

NOTE 13 - DEPOSIT ON DISTRIBUTION RIGHTS

During February and March 2004, the Company lent a company (Borrower) a total of $45,000 in the form of four notes. The notes are due May 6, 2004 and accrue interest at a rate of 1.0% per month. The notes are intended to be used as deposits on the acquisition of distribution rights held by Borrow of certain educational materials in the United States and Canada. As the formal assignment of these rights has not occurred, the notes are being shown as other non-current assets at March 31, 2004.

F-32

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003

NOTE 14 - ACCRUED EXPENSES

Accrued expenses are made up of the following at March 31, 2004:

Accrued directors fees	$ 45,000
Accrued lease payments payable	88,242
Accrued stock payable	75,000
Credit card and other miscellaneous payables	48,576
Total	$ 256,818

NOTE 15 - SUBSEQUENT EVENTS

During April 2004, the Company collected the entire principle and interest amounts on a $50,000 note receivable.

During April 2004, the Board of Directors authorized the President of the Company to issue up to 30,000 shares of common stock for services to an individual.

During April 2004, the Board of Directors authorized the issuance of options to purchase 150,000 shares of common stock at a price of $0.15 per share to a new board member as compensation.

During April 2004, the Board of Directors authorized the Company's 2004 non-qualified stock option plan.

During April 2004, the Company entered into a consulting agreement for marketing and production assistance. The agreement calls for the issuance of options to purchase a) 2,000,000 shares at a price of $0.10 per share through June 28, 2004 and b) 2,000,000 shares at a price of $0.25 per share through August 28, 2004.

During April 2004, the Company entered into a stock option agreement for the raising of capital as follows: options to purchase 200,000 shares at a price of $0.10 per share; 200,000 shares at a price of $0.20 per share; 200,000 shares at a price of $0.25 per share; 200,000 shares at a price of $0.30 per share; and, 200,000 shares at a price of $0.35 per share, all to expire in one year.

During April 2004, the Company issued 240,000 shares of common stock for services.

F-33

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None, not applicable.

Item 8(a). Controls and Procedures.

As of the end of the 90 day period at the end of this Annual Report, we carried out an evaluation, under the supervision and with the participation of our President and Chief Financial Officer, 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 in timely alerting them 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. 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.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Identification of Directors and Executive Officers.

The following table sets forth the name, address, age and position of each officer and director of the Company:

Name	Age	Position
Anthony A. Maher	57	Chairman of the Board, President, and Chief Executive Officer
Robert O. Grover	41	Executive Vice President, Chief Technology Officer
Christina M. Vaughn	35	Vice President, Chief Financial Officer
Donald J. Farley	53	Secretary, Director
Roy M. Svee*	77	Treasurer, Director
Cecil D. Andrus	76	Director
Michael K. McMurray		Director

Mr. Svee passed away in February 2004. We are waiting until our Annual Meeting to appoint someone to replace him in the position of Treasurer.

Term of Office.

The terms of office of the current directors shall continue until the annual meeting of stockholders, which has been scheduled by the Board of

Directors to be held in May of each year. The annual meeting of the Board of Directors immediately follows the annual meeting of stockholders, at which executive officers for the coming year are elected.

Business Experience.

Anthony A. Maher, Chairman, President & CEO. Anthony A. Maher was recruited to PCS at its inception as Chairman of the Board, President and Chief Executive Officer and structured the purchase of PCS Schools. Since then, Mr. Maher has overseen the development of the curriculum from four core areas to over 60; the development of its distance developer database; and the creation of its web based publishing expertise. From 1982 to 1989 he was founder and Chairman of the Board of National Manufacturing Company, Inc. and its subsidiary, National Medical Industries, Inc. From 1979 to 1982, Mr. Maher was Executive Vice President for Littletree Inns, a hotel company based in Boise, Idaho with properties throughout the Northwest. Mr. Maher graduated from Boise State University in 1970 with a Bachelor of Arts degree in Political Science.

Robert O. Grover. Robert O. Grover joined PCS at its inception and became Executive Vice President in May 1996. Mr. Grover's current focus is on the development of PCS distance education applications including the web-based support and delivery systems that are integral to Edventures!.COM, Edventures Labs, and the Academy of Engineering. In 1992, he developed the PCS Merit System that has become the foundation of the Edventures!.COM learning systems online. Mr. Grover graduated from Boise State University in 1987 with a Bachelor of Arts degree in English.

Christina Vaughn was promoted to Vice President and CFO from Assistant CFO on May 1, 2002. She joined PCS in September 2000 after serving 8 years as an analyst for the local natural gas utility. She brings to PCS extensive knowledge of revenue, cash, and cost forecasting, asset/liability mitigation, managed reporting of commodities pricing as well as capital project analysis. She graduated, cum laude, May 1990 from the College of Idaho with a BBA in Finance, and from Atkinson Graduate School of Management/Willamette University with an MBA in May 1992.

Donald J. Farley. Mr. Farley is a director and the Secretary of the Company and has acted as the Company's legal counsel since 1994. Mr. Farley is a founding partner of the law firm of Hall, Farley, Oberrecht & Blanton, P.A. His legal practice emphasizes litigation and representation of closely held businesses. He has been in private practice since 1975, after serving a two year judicial clerkship with former United States District Judge J. Blaine Anderson. Mr. Farley is admitted to practice before all state and federal courts in Idaho and has also been admitted to practice before the United States Supreme Court. He is a member of the American Bar Association, the International Association of Defense Counsel, Defense Research Institute, the Idaho State Bar Association and the Association of Trial lawyers of America. Mr. Farley graduated from the University of Idaho in 1970 with a Bachelor of Arts degree in Economics and from the University of Idaho College of Law in 1973.

Roy M. Svee. Mr. Svee was since 1996, a director and the Treasurer of the Company. Mr. Svee passed away in February 2004. We are waiting until our Annual Meeting to appoint someone to replace him in the position of Treasurer. Mr. Svee has served with distinction throughout his business career on the Board of Directors of such organizations as Southgate Bank; First National Bank; Colonial Savings; Eastern Heights Bank; TFC Bank and its parent; Hansen Engine and Hansen Air Systems, Inc.; Genius Technologies and JF Goodhouse, Inc., all in Minnesota and Michigan. During his working career, he served as Regional Manager of Montgomery Ward and after that as Senior Vice

President-Strategic Planning for Target Stores. He retired from JB Goodhouse, Inc. as President & CEO in 1991. Mr. Svee has a Bachelor of Business Administration degree from the University of Minnesota and served as a pilot in the Navy Air Corps.

Cecil D. Andrus. Former Idaho State Governor Andrus joined the PCS Board of Directors in November 1995. Following his retirement from public service in January 1995, Governor Andrus founded and now directs the Andrus Center for Public Policy at Boise State University. Governor Andrus is the first person in the history of Idaho to be elected Governor four different times (1970, 1974, 1986 and 1990). When he retired from public office, he was the senior governor in the United States in length of service. Mr. Andrus resigned as governor in 1977 to become the Secretary of the Interior in the Carter Administration, the first Idahoan to serve in a Presidential Cabinet. Governor Andrus is also a director of Albertsons, KeyCorp and The Gallatin Group.

Michael K. McMurray. Mr. McMurray comes back to the Board of PCS, having served from 1989 through 1994. He retired from Boise Cascade after serving there for over 30 years, starting as a Treasury Analyst in 1970, Assistant to Realty Controller from 1971 to 1974, Manager, Cash & Banking from 1974 to 1976, Manager of Banking & Corporate Credit from 1976 to 1980, Assistant Treasurer from 1980 to 1989, and then Assistant Treasurer and Director, Retirement Funds from 1989 until he retired in 2000. Mr. McMurray has served with distinction on several Boards including Regence Blue Shield of Idaho, American Red Cross, Farmers & Merchants State Bank, Idaho Housing and Finance, Boise Family YMCA, Hillcrest Country Club, and the Downtown Boise Association. He is a graduate of the University of Idaho with a degree in Finance and has completed the Program for Management Development at the Harvard Business School.

Family Relationships.

There are no family relationships between any of our directors or executive officers.

Involvement in Certain Legal Proceedings.

During the past five years, none of our present or former directors, executive officers or persons nominated to become directors or executive officers:

(1) Filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2) Was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from or otherwise limiting his involvement in any type of business, securities or banking activities;

(4) Was found by a court of competent jurisdiction in a civil

action, by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated.

Compliance with Section 16(a) of the Exchange Act.

PCS believes all forms required to be filed under Section 16 of the Exchange Act for all of the Company's directors and executive officers have been timely filed.

Audit Committee.

We adopted an audit committee last fiscal year for the purpose of engaging HJ & Associates for the annual audit. The audit committee currently consists of board members, Michael McMurray and Cecil Andrus. The audit committee is currently working with the other board members to determine the scope, responsibilities and length of service for the audit committee. We expect to adopt a formal policy regarding the audit committee during this fiscal year.

Code of Ethics.

We have adopted a Code of Ethics and it is attached as Exhibit 14 to this Report. See Item 13.

Item 10. Executive Compensation.

Cash Compensation.

The following table shows the aggregate compensation that we have paid to directors and executive officers for services rendered during the periods indicated:

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year or Period Ended	Salary ($)	Bonus ($)	Other Annual Compen-	Rest- ricted Stock	Secur- ities Under- lying Options	LTIP Pay- outs	All Other Comp- ensat'n
Anthony A. Maher President Director	3/31/04	120,000	0	0	0	*	0	0
	3/31/03	120,000	0	0	0	0	0	0

* Mr. Maher was the only executive officer of PCS whose cash compensation exceeded $100,000 during the last two fiscal years. See the table below under the heading "Stock Option Plans and Other Incentive Compensation Plans" of this Item for stock options granted to Mr. Maher and other members of management during the last two fiscal years ended March 31, 2004 and 2003.

Options Grants in Last Fiscal Year

There were grants of stock options made during the fiscal years ended March 31, 2004 and 2003 to our directors and executive officers and others. These options are described below under the heading "Stock Option Plans and Other Incentive Compensation Plans" of this Item.

Compensation of Directors

Each fiscal year, the Board of Directors sets the dollar amount for the compensation of outside directors for their services. Said compensation shall be in the form of freely tradable PCS common stock at its then bid price, or in the form of stock options to purchase PCS common stock at its then current bid price. For fiscal years 2002 and 2003, the Board of Directors set the amounts of $15,000 for each of said fiscal years.

Employment Agreements

We have no written employment agreements with our management. Currently, we are paying our officers the following annual salaries: Anthony A. Maher - $120,000; Robert O. Grover - $84,000; Christina Vaughn - $75,000. The Company also provides medical and dental insurance for its officers and other employees.

Stock Option Plans and Other Incentive Compensation Plans

PCS has not adopted any formal option plans or other incentive compensation plans as of the date of this report. We anticipate that our Board of Directors will, in the near future, adopt incentive compensation plans to provide reward and incentives to employees, directors and agents of PCS. PCS has granted the following options to officers, directors, employees and consultants:

Option Holder	Number Shares	Date of Grant	Exercise Price	Expiration Date
Frances Guiney	50,000	10/21/01	$.30	10/24/04
Bill Albert	2,310	12/01/01	$.15	12/01/04
Nathan Cook	1,155	12/01/01	$.15	12/01/04
Robert O. Grover*	6,467	12/01/01	$.15	12/01/04
Suzanne Haislip	3,696	12/01/01	$.15	12/01/04
Christa Roesberry	1,442	12/01/01	$.15	12/01/04
Anthony A. Maher*	9,160	12/01/01	$.15	12/01/04
Donald J. Farley*	250,000	12/10/01	$.30	12/10/04
Roy M. Svee*	250,000	12/10/01	$.30	12/10/04
Anthony A. Maher*	400,000	12/10/01	$.30	12/10/04
Cecil D. Andrus*	100,000	12/10/01	$.30	12/10/04
Board Members*	1,000,000	6/03/02	$.16	6/03/12
Suzanne Haislip	50,000	7/01/02	$.16	1/01/06
Christina Vaughn*	50,000	7/01/02	$.16	1/01/06
William Albert	75,000	7/01/02	$.16	1/01/06
David Chase	35,000	7/01/02	$.16	1/01/06

Joe Egusquiza	15,000	7/01/02	$.16	1/01/06
Laura Baran	25,000	7/01/02	$.16	1/01/06
Robert O. Grover*	75,000	7/01/02	$.16	1/01/06
Christa Roesberry	10,000	7/01/02	$.16	1/01/06
Nathan Cook	15,000	7/15/02	$.16	1/15/06
Nic Perner	5,000	8/15/02	$.16	2/15/06
Donald J. Farley*	166,666	10/21/02	$.09	10/21/12
Roy Svee*	166,666	10/21/02	$.09	10/21/12
Cecil Andrus*	166,666	10/21/02	$.09	10/21/12
Donald J. Farley*	214,285	5/15/03	$.07	5/15/13
Roy Svee*	214,285	5/15/03	$.07	5/15/13
Cecil Andrus*	214,285	5/15/03	$.07	5/15/13
Anthony Maher*	250,000	5/15/03	$.07	5/15/13
Suzanne Haislip	100,000	5/20/03	$.07	5/20/07
Joe Egusquiza	25,000	7/25/03	$.10	7/15/07
Christina Vaughn*	150,000	9/05/03	$.07	9/15/07

* Denotes directors and executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information concerning the beneficial ownership of PCS common stock as of June 28, 2004, by each director and executive officer, all directors and officers as a group, and each person known to PCS to beneficially own 5% or more of its outstanding common stock.

Name and Address of Beneficial Owner	Shares Owned(1)	Percentage Owned(1)
Anthony A. Maher 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	2,123,601(3)	7.67%
Robert O. Grover 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	596,467(4)	2.15%
Roy M. Svee 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,230,951(5)	4.44%
Donald J. Farley 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,361,951(6)	4.92%
Cecil D. Andrus 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	504,284(7)	1.82%
Christina M. Vaughn 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	200,000(8)	(2)
All officers and Directors as a group (6 persons)	6,017,254	21.72%

(1) Based upon 24,919,752 shares of common stock issued and outstanding as of June 28, 2004, including 2,783,480 shares that may be issued upon the exercise of currently exercisable options, for a total number of shares

outstanding of 27,703,232, calculated in accordance with Rule 13d-3 promulgated under the Exchange Act. It also includes shares owned by (i) a spouse, minor children or by relatives sharing the same home, (ii) entities owned or controlled by the named person and (iii) other persons if the named person has the right to acquire such shares within 60 days by the exercise of any right or option. Unless otherwise noted, shares are owned of record and beneficially by the named person.

(2) Under 1 percent.

(3) These shares include (i) 1,405,441 shares owned of record by Mr. Maher, (ii) 10,000 shares owned by Louise Maher, (iii) 9,500 shares which are beneficially owned by a family limited liability named Sullivan Maher for which Mr. Maher acts as a manager (iv) 35,000 shares owned by the Nick Maher foundation of which Mr. Maher is a trustee, (v) 4,500 shares owned by E.L. Sullivan which are voted by Mr. Maher pursuant to an irrevocable proxy, (vi) 9,160 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.15 per share and are exercisable through December 2004, (vii) 400,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.30 per share and are exercisable through December 2004, and (viii) 250,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.07 through May 15, 2007.

(4) These shares include (i) 315,000 shares owned of record by Mr. Grover, (ii) 75,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.16 per share and are exercisable through December 31, 2005, (iii) 6,467 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.15 per share through November 30, 2004 and (iv) 200,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.10 through July 15, 2007.

(5) These shares include (i) 600,000 shares owned of record by Mr. Svee, (ii) 250,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.30 per share and are exercisable through December 2004, (iii) 214,285 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.07 through May 15, 2007, and (iv) 166,666 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.10 through October 21, 2012.

(6) These shares include (i) 722,000 shares owned of record by Mr. Farley, (ii) 9,000 shares in the name of Ryan Farley, (iii) 250,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.30 per share and are exercisable through December 2004, (iv) 214,285 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.07 through May 15, 2007, and (v) 166,666 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.10 through October 21, 2012.

(7) These shares include (i) 123,333 shares owned of record by Mr. Andrus, and (ii) 214,285 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.07 through May 15, 2007, and (iii) 166,666 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.10 through October 21, 2012.

(8) These shares include (i) 50,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable

at $.16 per share and are exercisable through December 31, 2005 and (ii) 150,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at $.07 through September 15, 2007.

Changes in Control.

To our knowledge, there are no present arrangements or pledges of our securities that may result in a change in control of our company.

Item 12. Certain Relationships and Related Transactions.

Transactions with Management and Others.

During the last two fiscal years ended March 31, 2004 and 2003, we have granted certain options to members of our management. See the heading "Stock Option Plans and Other Incentive Compensation Plans" of Item 10, above.

During the year ended March 31, 2003, three members of the Company's board of directors acted as guarantors on a promissory note that provided the Company $60,600 in financing. This note was paid in full during 2004.

During the years ended March 31, 2003, the Company repaid debt owed to the President of the Company of $20,000.

During the years ended March 31, 2003, the Company borrowed $27,000 from the President of the Company.

On October 21, 2002, we authorized and issued options to purchase 499,998 shares of common stock to Board Members as payment for accrued directors fees totaling $45,000. These options vested immediately and have an exercise price of $0.09 per share. This payment covered all directors fees incurred for the year ended March 31, 2002. As of March 31, 2003, we still owes these directors $45,000 for services rendered during the year ended March 31, 2003.

On May 15, 2003, we authorized and issued options to purchase 892,855 shares of common stock to Board Members as payment of $45,000 in accrued director fees. The intrinsic value of these options was $17,857, while the difference, $27,143, was treated as contributed capital from extinguishment of related party debt.

During 2004, we issued 305,441 shares of common stock to the Company's President in payment of $32,608 in accrued interest. The stock was valued at the market price of the stock on the dates of conversion, or an average of $0.11 per share.

Transactions with Promoters.

Except as outlined under the caption "Executive Compensation," during the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

Item 13. Exhibits and Reports on Form 8-K.

Reports on Form 8-K.

No Current Reports on Form 8-K of the Securities and Exchange Commission have been filed by the Company during the last quarter of its fiscal year ended March 31, 2004.

Exhibits*

(i)

	Where Incorporated in this Report
Registration Statement on SB-2, as amended.**	Parts I, II and III

(ii)

Exhibit Number	Description
14	Code of Ethics
21	Subsidiaries of the Company
31.1	302 Certification of Anthony A. Maher
31.2	302 Certification of Christina M. Vaughn
32	906 Certification

* Summaries of all exhibits contained within this Report are modified in their entirety by reference to these Exhibits.

** These documents and related exhibits have been previously filed with the Securities and Exchange Commission and are incorporated herein by reference.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed to PCS by its principal accountants during the fiscal years ended March 31, 2004, and March 31, 2003:

Fee category	2004	2003
Audit fees	$19,845	$18,037
Audit-related fees	$ 0	$ 0
Tax fees	$ 0	$ 0
All other fees	$ 0	$ 0
Total fees	$19,845	$18,037

Audit fees. Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related fees. Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees."

Tax fees. Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All other fees. Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees" and "Tax fees" above. The fees disclosed in this category include due diligence, preparation of pro forma financial statements as a discussion piece for a Board member, and preparation of letters in connection with the filing of Current Reports on Form 8-K.

SIGNATURES

In accordance with the requirements 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.

Date: 7/1/04	By/s/Anthony A. Maher Anthony A. Maher CEO, President and Chairman of the Board of Directors
Date: 7/1/04	By/s/Christina M. Vaughn Christina M. Vaughn Vice President and CFO
Date: 7/1/04	By/s/Donald J. Farley Donald J. Farley Secretary and Director
Date: 7/1/04	By/s/Cecil D. Andrus Cecil D. Andrus Director