

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

PCS EDVENTURES COM INC  
Form 10KSB  
July 19, 2005

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, 2005

[ ] 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 (I.R.S. Employer I.D. No.)  
incorporation or organization)

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,  
2005 - \$1,468,671.

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

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

June 29, 2005 - \$15,453,033. There are approximately 25,332,841 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 29, 2005 or \$0.61 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 29, 2005

28,402,585

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, 2005.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

-----  
The following are the business developments during fiscal 2005:

- \* Opened discussions with several target companies for possible merger and acquisition activities;
- \* Sold an additional 300 Labs to Edison Schools;
- \* Continued to investigate using parts of our Learning Labs to create a line of specialty retail learning toys;
- \* Expanded our strategic alliance with K-Nex Corporation, a manufacturer and distributor of learning manipulatives to the US K-12 market;
- \* Developed a strategic alliance with Science Demo, an Israeli Science Kit designer and manufacturer, for the Academy of Science;
- \* Developed a strategic alliance with GibsonTechEd, for electronic components to fit into our Academy of Electrical Engineering;
- \* Continued the development and release of additional curriculum for a line of learning labs destined for the classroom;
- \* Named Agents in Egypt, Dubai, Saudi Arabia and the AOE and sold and installed Learning Labs in each Country;
- \* Began to develop relationships with the World Bank and USAID for the purpose of being included in several RFP's in the Middle East;
- \* Continued to develop new marketplace strategy for the US market by introducing new products, added sales representation and continued to expand the state and national standards alignment in all 50 states;
- \* Continued to expand our building brick supplier choices and Reduced our reliance on our former supplier.

Fiscal Years ended March 31, 2004 and 2003.  
-----

For a discussion of our business development during the years ended March 31, 2004 and 2003, see our 10-KSB Annual Reports for the years ended March 31, 2004 and 2003 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 Learning Labs and related technologies and programs directed to the kindergarten through 12th grade after-school market. Our products and technologies are targeted to the public and private schools classroom, the afterschool market 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 several innovative technology based educational programs. Our "Academy of Engineering,", "Academy of Electric Engineering", "Academy of Engineering, Jr.", Academy of Science", "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 continue to expand distribution and marketing channels. To date, we have sold 2,500 Labs to the US and International markets.

### Principal Products or Services and their Markets.

-----  
We have now developed and are currently marketing several innovative technology based educational programs for the kindergarten through 14th grade ("K-14") after-school market, learning center market and home market. Separately, and in combination, these Lab 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 16 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 41 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 12 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 30 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 2005, Grades 1 and 2 are available. Grades 3 and 4 are scheduled for completion this fiscal year, and grades 5 and 6 for the following fiscal year. We sold 352 Brick Labs in FY 2005.

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 13 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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](http://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 Science, Academy of Electrical 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, AOE Jr, AOS, Academy of Electrical 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:

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

- \* 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](http://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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 four 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



## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

### 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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 10 full-time and 3 part-time employees of which three are in sales, six are in design and project management, two in

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 \$6,750/month under a non-cancelable operating lease.

The Company leases additional warehouse space at 7646 Lemhi St, Unit #13, Boise, Idaho 83709. This warehouse space consists of approximately 1,400 square feet. Rent obligations are \$576/month through May 2006.

### Item 3. Legal Proceedings.

-----  
None.

### 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, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

#### 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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
June 30, 2004	\$0.35	\$0.13
September 30, 2004	\$0.27	\$0.10
December 31, 2004	\$0.12	\$0.06
March 31, 2005	\$0.18	\$0.08

### 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 -----
None	--	--	--

### ----- Holders.

As of June 29, 2005, there were 28,402,585 shares of common stock outstanding and approximately 404 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

business development activities. On May 21, 2004, 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."

Use of Proceeds From the Sale of Registered Securities.  
-----

None.

Purchases of Equity Securities.  
-----

None.

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, 2005 resulted in a net loss of (\$938,632). This net loss is an increase of (\$786,281) from the net loss for fiscal year 2004 of (\$152,351). The Basic Loss per Share for fiscal year 2005 is (\$0.04), as compared to a loss per share of (\$0.01) for fiscal year 2004. Details of changes in revenues and expenses can be found below.

Revenues

Revenues of \$1,468,671 for fiscal year 2005 were down from revenues of \$1,830,861 for fiscal year 2004, or \$362,190, for a 20% decrease.

Revenues for our fourth quarter of this fiscal year were 10% higher than revenues for the same period during last fiscal year, \$496,672 and \$449,745, respectively. Revenues for the first three quarters decreased due to a combination of a policy change in the fourth quarter of fiscal year 2004 as well as a slight decrease in sales. 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 us. There is no effect on our gross profit as a result of our policy change as our revenues are reduced by same amount as our cost of goods sold.

Cost of Goods Sold/Cost of Sales

Cost of Goods Sold increased \$315 or 0.04%, from fiscal year 2004, \$679,009, to fiscal year 2005, \$679,324. Costs of goods sold remained flat, in spite of a decrease in sales. This is primarily due to increases in shipping costs as well as the slight increase in sales during the fourth quarter.

Operating Expenses

Operating expenses increased by \$623,335, or 57%. Operating expenses were \$1,098,815 in fiscal year 2004 and \$1,731,150 in fiscal year 2005. This increase is primarily due to non-cash expenditures of \$525,004 associated with stock and options which were issued for services. The scope of said consulting agreement includes advisement and consultation regarding

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

distribution strategies, evaluation of potential acquisition targets and the structuring of any such transactions, and business development strategies, including geographic and service expansion plans.

Excluding the non-cash expenditure mentioned above, operating expenses for the fourth quarter of fiscal year 2005 increased 25%, or \$101,022, from \$97,366 during the fourth quarter of fiscal year 2004 to \$118,092 for same period during fiscal year 2005. This increase is mainly due to increased copier repair expense, warehouse expense, and increased consulting and marketing expenses.

Liquidity.

-----  
As of the fiscal year ended March 31, 2005, we had \$16,752 in Cash, with total current assets of \$280,818 and total current liabilities of \$1,037,487. We have a stockholders' deficit of (\$738,527).

Item 7. Financial Statements.

-----  
Consolidated Financial Statements for the years ended  
March 31, 2005 and 2004

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet - March 31, 2005

Consolidated Statements of Operations for the  
years ended March 31, 2005 and 2004

Consolidated Statements of Stockholders' Equity (Deficit)

Consolidated Statements of Cash Flows  
for the Years Ended March 31, 2005 and 2004

Notes to Consolidated Financial Statements

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, 2005, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended March 31, 2005 and 2004. 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.



## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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, 2005 and the results of their operations and their cash flows for the years ended March 31, 2005 and 2004, in conformity with United States generally accepted accounting principles.

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  
July 15, 2005

F-3

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

#### ASSETS

	March 31, 2005
CURRENT ASSETS	
Cash	\$ 16,752
Accounts receivable	130,569
Prepaid expenses	14,826
Deferred costs (Note 2)	110,367
Inventory	8,304
	-----
Total Current Assets	280,818
	-----
FIXED ASSETS, NET (Note 3)	11,917
	-----
OTHER ASSETS	
Deposits	6,225
	-----
Total Other Assets	6,225
	-----
TOTAL ASSETS	\$ 298,960
	=====

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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

F-4

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

#### LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

March 31,  
2005

#### CURRENT LIABILITIES

Accounts payable	\$ 183,068
Accrued Compensation	40,537
Payroll taxes payable	87,669
Accrued interest	75,044
Accrued expenses (Note 12)	59,079
Unearned revenue (Note 2)	269,571
Notes payable - related party (Note 5)	117,054
Notes payable (Note 6)	205,465
	-----
Total Current Liabilities	1,037,487
	-----
Total Liabilities	1,037,487
	-----

#### COMMITMENTS AND CONTINGENCIES (Note 8)

#### STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock, no par value, authorized 10,000,000 shares, 15,246 shares issued and outstanding (Note 4)	56,372
Common stock, no par value, authorized 40,000,000 shares; 27,355,451 shares issued and outstanding	23,868,669
Variable deferred consulting (Note 4)	(1,000)
Accumulated deficit	(24,662,568)
	-----
Total Stockholders' Equity (Deficit)	(738,527)
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 298,960
	=====

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

F-5

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

For the Years Ended  
March 31,

2005                      2004

#### REVENUES

Lab Revenue	\$1,294,709	\$1,661,838
License Revenue	158,917	156,164
Subscription Revenue	15,045	12,859
	-----	-----
Total Revenues	1,468,671	1,830,861

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

COST OF GOODS SOLD	679,324	679,009
	-----	-----
GROSS PROFIT	789,347	1,151,852
	-----	-----
OPERATING EXPENSES		
Salaries and wages	452,756	463,918
Depreciation expense	2,052	25,447
General and administrative	751,338	578,976
Stock for services expense	525,004	30,474
	-----	-----
Total Operating Expenses	1,731,150	1,098,815
	-----	-----
OPERATING INCOME (LOSS)	(941,803)	53,037
OTHER INCOME AND EXPENSES		
Interest expense	(58,877)	(214,804)
Interest income	993	18
Other income	17,065	4,398
Gain on settlement of debt (Note 7)	43,990	5,000
	-----	-----
Total Other Income and Expenses	3,171	(205,388)
	-----	-----
NET LOSS	\$ (938,632)	\$ (152,351)
	=====	=====
BASIC LOSS PER SHARE (Note 2)	\$ (0.04)	\$ (0.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	26,253,256	19,447,429
	=====	=====

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

F-6

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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance, March 31, 2003	17,832,301	\$ 22,105,987	-	\$ -
Common stock issued for extinguishment of debt and interest at \$0.09 per share	35,000	3,150	-	-
Options issued to directors for accrued directors fees (Note 11)	-	17,857	-	-
Contribution to capital (Note 11)	-	27,143	-	-
Common stock issued for conversion of accounts payable at \$0.09 per share	11,111	1,000	-	-

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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	-	-
Balance Forward	18,099,696	\$22,189,801	-	\$ -

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	18,099,696	\$22,189,801	-	\$ -
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	-	-
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)	-	-
Balance forward	19,013,296	\$ 22,280,121	10,000	\$ 12,500

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	19,013,296	\$ 22,280,121	10,000	\$ 12,500
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	-	-
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	-	-
Balance forward	20,952,296	\$ 22,498,211	10,000	\$ 12,500

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	20,952,296	\$ 22,498,211	10,000	\$ 12,500
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				

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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	-	-
Preferred stock issued for conversion of debt at \$1.00 per share	-	-	11,614	11,613
Discount on preferred stock	-	-	-	2,903
Balance forward	21,436,887	\$22,570,362	33,614	\$ 42,016

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	21,436,887	\$22,570,362	33,614	\$ 42,016
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	-	-	25,275	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	-	-

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

Balance forward	22,187,999	\$22,677,249	52,346	\$ 70,862
	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	22,187,999	\$22,677,249	52,346	\$ 70,862
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
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
Balance forward	23,926,169	\$22,962,383	72,661	\$ 96,255
	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	23,926,169	\$22,962,383	72,661	\$ 96,255
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	-	-	40,746	40,745

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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)
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

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance, March 31, 2004	24,230,874	\$ 23,023,323	82,850	\$120,473
Common stock issued for services at \$0.17 per share	30,000	5,100	-	-
Stock offering costs	-	(5,100)	-	-
Common stock issued for services at \$0.17 per share	240,000	40,800	-	-
Stock offering costs	-	(40,800)	-	-
Options issued to employees below market value	-	3,000	-	-
Options issued to consultants below market value	-	507,877	-	-
Common stock issued for conversion of debt and interest at \$0.20 per share	376,165	75,232	-	-



Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

Common stock issued for cash at \$0.10 per share for option exercise	750,000	75,000	-	-
Intrinsic value of employee options issued below market value	-	5,000	-	-
Common stock issued for related party note payable reduction at \$0.07 per share	250,000	17,500	-	-
Fair value of options issued to consultant	-	696	-	-
Common stock issued for conversion of preferred stock at \$0.20 per share	338,020	67,603	(67,604)	(67,603)
Options issued to directors for accrued director fees	-	9,241	-	-
Balance forward	26,215,059	\$23,784,472	15,246	\$ 52,870

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	26,215,059	\$23,784,472	15,246	\$ 52,870
Contributed capital for accrued director fee	-	50,759	-	-
Pro-rata cumulative non-cash preferred stock dividend	-	-	-	3,502
Amortization of prepaid expense	-	-	-	-
Amortization and revaluation of consulting expense	-	(92,102)	-	-
Stock issued for marketing services at \$0.09 per share	250,000	22,500	-	-
Stock issued for legal services at \$0.09 per share	500,000	45,000	-	-
Stock issued for accounts payable at \$0.15 per share	45,833	6,875	-	-
Stock issued for note payable to related party at \$0.06 per share	344,559	20,674	-	-

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

Amortization of prepaid expense	-	-	-	-
Fair value of options issued to consultant	-	491	-	-
Options issued to directors for accrued director fees	-	28,416	-	-
Contributed capital for accrued director fees	-	1,584	-	-
Net loss, March 31, 2005	-	-	-	-
Balance, March 31, 2005	27,355,451	\$23,868,669	15,246	\$ 56,372

[CONTINUED]

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

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
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	-	-	-
Contribution of capital	-	-	-
Common Stock issued for conversion of accounts payable at \$0.09 per share	-	-	-
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	-	-	-
Balance Forward	\$ -	\$ -	\$(23,530,460)

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
Balance forward	\$ -	\$ -	\$(23,530,460)
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	-	-	-
Common stock issued for the conversion of warrants at \$0.01 per share	-	-	-
Common stock issued for cash at \$0.10 per share	-	-	-
Revaluation of repriced and outstanding options	-	-	-
Balance forward	\$ -	\$ -	\$(23,532,960)
	Expenses Prepaid with Common Stock	Variable Deferred Consulting	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			

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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	-	-	-
Common stock issued for cash at \$.012 per share	-	-	-
Common stock issued for services and prepaid services at \$0.12	(67,292)	-	-
Balance forward	<u>\$ (67,292)</u>	<u>\$ -</u>	<u>\$ (23,532,960)</u>

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
Balance forward	<u>\$ (67,292)</u>	<u>\$ -</u>	<u>\$ (23,532,960)</u>
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	-	-	-
Preferred stock issued for conversion of debt at \$1.00 per share	-	-	-
Discount on preferred stock	-	-	(2,903)
Balance forward	<u>\$ (67,292)</u>	<u>\$ -</u>	<u>\$ (23,538,863)</u>

Variable

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

	Expenses Prepaid with Common Stock -----	Deferred Consulting -----	Accumulated Deficit -----
Balance forward	\$ (67,292)	\$ -	\$ (23,538,863)
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	-	-	-
Balance forward	----- \$ (67,292) -----	----- \$ - -----	----- \$ (23,548,976) -----

	Expenses Prepaid with Common Stock -----	Variable Deferred Consulting -----	Accumulated Deficit -----
Balance forward	\$ (67,292)	\$ -	\$ (23,548,976)
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)

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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)
Balance forward	<u>\$ (67,292)</u>	<u>\$ -</u>	<u>\$ (23,554,054)</u>

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
Balance forward	\$ (67,292)	\$ -	\$ (23,554,054)
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	-	-	-
Pro-rata cumulative non-cash preferred stock dividend	-	-	(1,294)
Net loss for the year			

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

ended March 31, 2004	-	-	(152,351)
	-----	-----	-----
Balance, March 31, 2004	\$ (67,292)	\$ -	\$(23,720,434)
	-----	-----	-----
	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
Balance, March 31, 2004	\$ (67,292)	\$ -	\$(23,720,434)
Common stock issued for services at \$0.17 per share	-	-	-
Stock offering costs	-	-	-
Common stock issued for services at \$0.17 per share	-	-	-
Stock offering costs	-	-	-
Options issued to employees below market value	-	-	-
Options issued to consultants below market value	-	(507,877)	-
Common stock issued for conversion of debt and interest at \$0.20 per share	-	-	-
Common stock issued for cash at \$0.10 per share for option exercise	-	-	-
Intrinsic value of employee options issued below market value	-	-	-
Common stock issued for related party note payable reduction at \$0.07 per share	-	-	-
Fair value of options issued to consultant	-	-	-
Common stock issued for conversion of preferred stock at \$0.20 per share	-	-	-
Options issued to directors for accrued director fees	-	-	-
Contributed capital for accrued director fees	-	-	-
	-----	-----	-----
Balance forward	\$ (67,292)	\$ (507,877)	\$(23,720,434)
	-----	-----	-----

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
Balance forward	\$ (67,292)	\$ (507,877)	\$ (23,720,434)
Pro-rata cumulative non-cash preferred stock dividend	-	-	(3,502)
Amortization of prepaid expense	67,292	-	-
Amortization and revaluation of consulting expense	-	506,877	-
Stock issued for marketing services at \$0.09 per share (unaudited)	(22,500)	-	-
Stock issued for legal services at \$0.09 per share	(45,000)	-	-
Stock issued for accounts payable at \$0.15 per share	-	-	-
Stock issued for note payable to related party at \$0.06 per share (unaudited)	-	-	-
Amortization of prepaid expense	67,500	-	-
Fair value of options issued to consultant	-	-	-
Options issued to directors for accrued director fees	-	-	-
Contributed capital for accrued director fees	-	-	-
Net loss, March 31, 2005	-	-	(938,632)
	-----	-----	-----
Balance, March 31, 2005	-0-	\$ (1,000)	\$ (24,662,568)
	=====	=====	=====

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

F-15

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

For the Years Ended

March 31,



Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (938,632)	\$ (152,351)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	2,052	25,447
Non-cash debt default additions	-	52,625
Amortization of debt offering and extension costs	-	5,460
Amortization of services prepaid with common stock	101,042	-
Stock options issued for compensation	5,000	30,474
Stock options issued for consulting services	415,962	-
Stock options issued for board compensation	3,000	-
Intrinsic value of stock options issued for services	-	14,250
Gain on settlement of debt	(43,990)	(5,000)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	318,949	(104,185)
(Increase) decrease in prepaid expenses	-	97,578
(Increase) decrease in inventories	(118,671)	2,073
(Increase) decrease in deposits	-	(5,750)
Increase in accounts payable and accrued liabilities	69,063	25,096
Increase in interest payable	-	-
Increase in unearned revenue	65,166	(178,085)
Decrease in other assets	69,958	-
	-----	-----
Net Cash Provided/ Used by Operating Activities	(51,101)	(192,368)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from note receivable	50,000	-
Payment of note receivable	-	(50,000)
Deposit on distribution rights	-	(45,000)
Purchase of fixed assets	(13,968)	-
	-----	-----
Net Cash Provided(Used) for Investing Activities	36,032	(95,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	-	(8,053)
Payments on related party notes	(10,654)	-
Proceeds from notes payable	-	450,898
Payments on notes payable	(71,345)	(675,447)
Proceeds from preferred stock	-	17,000
Proceeds from common stock	-	605,341
	-----	-----
Net Cash Provided (Used) by Financing Activities	(81,999)	389,739
	-----	-----
DECREASE IN CASH	(97,068)	102,371
CASH AT BEGINNING OF YEAR	113,820	11,449
	-----	-----
CASH AT END OF YEAR	\$ 16,752	\$ 113,820
	=====	=====

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

F-16

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

# Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

## Consolidated Statements of Cash Flows (Continued)

	For the Years Ended	
	March 31,	
	2005	2004
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Issuance of stock for payment on notes payable and interest	\$ 75,232	\$ 53,370
Common stock issued for related party debt	\$ 38,174	\$ -
Stock options issued for accrued director fees	\$ 90,000	\$ 45,000
Common stock issued for stock offering costs	\$ 45,900	\$ -
Common stock issued for payment on accounts payable	\$ 6,875	\$ 4,000
Preferred stock for notes payable	\$ -	\$ 166,124
Common stock issued for conversion of preferred stock	\$ -	\$ 97,961
Stock options issued for consulting services	\$ 415,962	\$ -
Stock options issued for employee and board compensation	\$ 3,000	\$ -
Stock options issued for deferred consulting	\$ 507,877	\$ -
Common stock issued for services	\$ -	\$ 30,474
<b>Cash Paid For:</b>		
Interest	\$ 37,142	\$ 115,975
Income taxes	\$ -	\$ -

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

F-17

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

**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.

Certain balances have been reclassified to conform to current year presentation.

**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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

### 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.

### c. 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. 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 customer. Accordingly, all costs associated with the purchase of product inventory are also deferred until the product is delivered. As of March 31, 2005, the Company has recorded unearned revenues and deferred costs of \$269,570 and \$110,367, respectively.

F-18

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c. Revenue Recognition (Continued)

##### Licensing Revenue

The Company recognizes revenues relating to the AOE, AOE Jr., AOR, Edventures!, and the Discover! 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, AOE Jr., AOR, Edventures! or Discover! 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 on 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 a lab license or the subsequent renewals of the licenses.

#### d. Principles of Consolidation

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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.

F-19

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

### 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, 2005, and 2004:

	2005	2004
Deferred tax assets:		
NOL Carryover	\$ 3,114,065	\$2,981,523
Accrued Expenses	96,665	-
Deferred tax liabilities:	-	-
Valuation allowance	(3,210,730)	(2,981,523)
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, 2005 and 2004 due to the following:

	2005	2004
Book loss	\$ (366,065)	\$ (59,420)
Stock for services/options expense	259,500	19,233
Penalties	445	27,365
Other	4,430	(673)
NOL utilization	-	13,495
Valuation allowance	101,690	-
	\$ -	\$ -
	=====	=====

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

At March 31, 2005 the Company had net operating loss carryforwards of approximately \$7,900,000 that may be offset against future taxable income from the year 2005 through 2025. No tax benefit has been reported in the March 31, 2005 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.

F-20

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. 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 3,538,441 potential common stock equivalents from the calculation of basic loss per share.

	For the Years Ended	
	March 31,	
	2005	2004
Basic loss per share from operations:		
Numerator - loss	\$ (938,632)	\$ (152,351)
Denominator - weighted average number of shares outstanding	26,253,256	19,447,429
	-----	-----
Loss per share	\$ (0.04)	\$ (0.01)
	=====	=====

F-21

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Newly Issued Accounting Pronouncements

During the year ended March 31, 2005, the Company adopted the following accounting pronouncements:

On December 16, 2004 the FASB issued SFAS No. 123(R), Share-Based Payment, which is an amendment to SFAS No. 123, Accounting for Stock-Based Compensation. This new standard eliminates the ability to account for share-based compensation transactions using Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and generally requires such transactions to be accounted for using a fair-value-based method and the resulting cost recognized in our financial

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

statements. This new standard is effective for awards that are granted, modified or settled in cash in interim and annual periods beginning after June 15, 2005. In addition, this new standard will apply to unvested options granted prior to the effective date. We will adopt this new standard effective for the fourth fiscal quarter of 2005, and have not yet determined what impact this standard will have on our financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs - an amendment of ARB No. 43, Chapter 4. This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this Statement will have any immediate material impact on the Company.

In December 2004, the FASB issued SFAS No. 152, Accounting for Real Estate Time-sharing Transactions, which amends FASB statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this Statement will have no impact on the financial statements of the Company.

In December 2004, the FASB issued SFAS No.153, Exchange of Nonmonetary Assets. This Statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this Statement will have no impact on the financial statements of the Company.

The implementation of the provisions of these pronouncements are not expected to have a significant effect on the Company's consolidated financial statement presentation.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

### h. 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 than the market price of the underlying common stock on the date of grant.

### i. 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.

F-23

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

#### NOTE 3 - FIXED ASSETS

Assets and depreciation for the period are as follows:

	March 31, 2005
Computer equipment	\$ 8,468
Office equipment	5,500
Education assets and software	278,886
Accumulated depreciation	(280,937)
	-----
Total Fixed Assets	\$ 11,917
	=====

Depreciation expense for the years ended March 31, 2005 and 2004 was \$2,052 and \$25,447, respectively.

#### NOTE 4 - COMMON AND PREFERRED STOCK TRANSACTIONS

##### a. Common Stock

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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

F-24

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

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.

During the year ended March 31, 2005, the Company issued 270,000 shares of common stock in exchange for services valued at \$45,900.

During the year ended March 31, 2005, the Company issued 376,165 shares of common stock for the conversion of promissory notes associated with the 2001 private placement. The shares were valued at \$0.20 per share, or \$75,232, which included principal and interest.

During the year ended March 31, 2005, the Company received \$75,000 in exchange for the exercise of 750,000 options.

During the year ended March 31, 2005, the Company received a \$17,500 reduction in related party note payable in exchange for the exercise of 250,000 options valued at \$0.07 each.

During the year ended March 31, 2005, the Company issued 338,020 shares of common stock valued at \$67,603, or \$0.20 per share, for the conversion of preferred stock.

During the year ended March 31, 2005, the Company issued 250,000 shares of common stock in exchange for marketing services valued at \$22,500.

During the year ended March 31, 2005, the Company issued 500,000 shares of common stock in exchange for legal services valued at \$45,000.

During the year ended March 31, 2005, the Company issued 45,833 shares of common stock in exchange for accounts payable valued at \$6,875.

During the year ended March 31, 2005, the Company issued 344,559 shares of common stock in exchange for related party note payable valued at \$20,674.



## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

### 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.

During the year ended March 31, 2005, the Company issued 338,020 shares of common stock for the conversion of 67,603 shares of preferred stock. The preferred shares, originally sold for \$1.00 per share were converted to common at \$0.20 per share.

The convertible preferred shares also include a cumulative 10% per annum non-cash dividend, which at March 31, 2005 amounted to \$3,502 and has been charged directly to accumulated deficit.

F-25

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

#### NOTE 5 - NOTES PAYABLE - RELATED PARTY

Notes payable - related party consisted of the following at March 31, 2005:

Notes payable to the President bearing interest at 10% per annum, all unpaid principal and interest due on demand	\$ 117,094
	-----
Total Notes Payable Related Party	\$ 117,094
	=====

#### NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following at March 31, 2005:

Notes payable related to private placement memorandum bearing interest at 8.00% per annum, with payments due April 6, 2002, through August 29, 2004, \$101,000 past due	\$ 101,000
---	------------

Notes payable to four unrelated individuals bearing interest at 8.0% to 11.2% per annum, with payment due within one year, unsecured	15,003
--	--------

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

Line of credit with a bank bearing interest at 13.99% per annum, unsecured	36,127
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	26,786
	-----
Total Notes Payable	\$ 205,465
	=====

All notes payable are considered to be current.

### NOTE 7 - GAIN ON SETTLEMENT OF DEBT

During March 2004, the Company received a notice of default from the attorneys for Xerox Capital Services, LLC (Xerox), in which Xerox asserts that the Company is in default on two lease agreements and a promissory note in the amount of \$88,242. During July 2004, the Company agreed to a Release of All Claims and Settlement Agreement (the Settlement) with Xerox Capital Services, LLC in regard to a past due notes payable and copier lease payments. The Settlement calls for the payment of \$44,252 in installments as follows: \$7,500 upon execution; \$10,000 on or before August 5, 2004; \$10,000 on or before August 19, 2004; \$12,500 on or before September 15, 2004; and \$4,252 on or before October 15, 2004. In addition, the Company agreed to return the copier. The Company has recognized a gain on extinguishment of debt of \$43,990 as a result of this Settlement. As of March 31, 2005, all scheduled payments have been made.

### 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
2006	\$ 81,500
2007	87,500
2008	85,250
2009	-
2010	-
	-----
Total	\$ 254,250
	=====

Rent expense was \$75,500 and \$69,500 for the years ended March 31, 2005 and 2004, respectively.

The Company leases warehouse space close to its headquarters. The lease expires in May 2006. The monthly rental obligation is \$576.00 for total lease payments of \$10,368. Rent expense was \$1,246 for the year ended March 31, 2005.

#### Litigation

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

During March 2004, the Company received a notice of default from the attorneys for Xerox Capital Services, LLC (Xerox), in which Xerox asserts that the Company is in default on two lease agreements and a promissory note in the amount of \$88,242. During July 2004, the Company agreed to a Release of All Claims and Settlement Agreement (the Settlement) with Xerox Capital Services, LLC in regard to a past due notes payable and copier lease payments. The Settlement calls for the payment of \$44,252 in installments as follows: \$7,500 upon execution; \$10,000 on or before August 5, 2004; \$10,000 on or before August 19, 2004; \$12,500 on or before September 15, 2004; and \$4,252 on or before October 15, 2004. In addition, the Company agreed to return the copier. The Company has recognized a gain on extinguishment of debt of \$43,990 as a result of this Settlement. As of March 31, 2005, all scheduled payments have been made; the obligation is paid in full.

### 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 2005, the Company opened discussions with several target companies for possible merger and acquisition activities. In addition, the Company also continued to investigate the feasibility of utilizing parts of our Learning Labs to create a line of specialty retail learning toys. The Company has also entered into several strategic alliances with K-NEX, Science Demo, and GibsonTechEd for further product development and enhancement. The Company has also strengthened its international position by naming agents and installing Learning Labs in Egypt, Dubai, and Saudi Arabia. Over the next fiscal year, the Company will continue to develop marketplace strategy for the US market as well as the international market.

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 100% to 538% percent for all years; risk-free interest rates of 1% to 6%, and expected lives of 1 to 10 years.

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

For the Years Ended  
March 31,  
2005 2004

Net loss:			
As reported	\$ (938,632)	\$ (152,351)	
Pro Forma	(1,106,204)	(272,508)	
Net loss per share:			
As reported	\$ (0.04)	\$ (0.01)	
Pro Forma	(0.04)	(0.01)	

F-28

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

NOTE 10 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

The Company has granted the following options as of March 31, 2005:

Description	Date of Grant	Issue Number	Issue Price	Amount Exercised	Amount Expired/Cancelled	Amount Outstanding
1) Board Members	12-10-01	1,000,000	\$ 0.30	0	(250,000)	750,000
2) Board Members	06-03-02	1,000,000	\$ 0.16	0	(250,000)	750,000
3) Employees	07-01-02	335,000	\$ 0.16	0	(10,000)	325,000
4) Employee	08-15-02	5,000	\$ 0.16	0	0	5,000
5) Board Members	10-21-02	499,998	\$ 0.09	0	(166,666)	333,332
6) Board Members	05-15-03	892,855	\$ 0.07	(250,000)	(214,285)	428,570
7) Employee	05-20-03	100,000	\$ 0.07	0	0	100,000
8) Employee	07-25-03	25,000	\$ 0.10	0	0	25,000
9) Employee	09-05-03	150,000	\$ 0.07	0	0	150,000
10) Employee	09-25-03	25,000	\$ 0.15	0	0	25,000
11) Board Member	04-28-04	150,000	\$ 0.15	0	0	150,000
12) Consultant	04-28-04	2,000,000	\$ 0.10	(750,000)	(1,250,000)	0
13) Consultant	04-28-04	4,000,000	\$ 0.25	0	(4,000,000)	0
14) Consultant	04-28-04	200,000	\$ 0.10	0	0	200,000
15) Consultant	04-28-04	200,000	\$ 0.20	0	0	200,000
16) Consultant	04-28-04	200,000	\$ 0.30	0	0	200,000
17) Consultant	04-28-04	200,000	\$ 0.35	0	0	200,000
18) Board Members	09-14-04	80,358	\$ 0.14	0	0	80,358
19) Board Members	09-14-04	93,750	\$ 0.12	0	0	93,750
20) Board Members	09-14-04	112,500	\$ 0.10	0	0	112,500
21) Board Members	09-14-04	48,912	\$ 0.23	0	0	48,912
22) Board Members	09-14-04	57,692	\$ 0.26	0	0	57,692
23) Employee	07-29-04	153,533	\$ 0.15	0	0	153,533
24) Employee	08-10-04	50,000	\$ 0.13	0	0	50,000
25) Employee	07-10-04	50,000	\$ 0.13	0	0	50,000
26) Employee	07-01-04	25,000	\$ 0.31	0	0	25,000
27) Consultant	07-29-04	5,000	\$ 0.15	0	0	5,000
28) Employee	11-15-04	100,000	\$ 0.10	0	0	100,000
29) Board Members	01-04-05	315,792	\$ 0.10	0	0	315,792
30) Consultant	01-06-05	4,500	\$ 0.10	0	0	4,500
31) Employee	06-01-04	75,000	\$ 0.31	0	0	75,000
32) Employee	06-14-04	250,000	\$ 0.31	0	0	250,000

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

33) Employee	06-01-04	50,000	\$ 0.31	0	0	50,000
34) Employee	06-01-04	75,000	\$ 0.31	0	0	75,000
35) Employee	06/16/04	150,000	\$ 0.31	0	0	150,000

-----	-----	-----	-----
12,679,890	(1,000,000)	6,140,951	5,538,939
=====	=====	=====	=====

Amount Exercisable	4,540,406
	=====

Description	Fair Value	Risk-Free Interest Rate	Expected Life	Expected Volatility
-----	-----	-----	-----	-----
1) Board Members	\$ 0.20	5.69%	10.00	99.80%
2) Board Members	\$ 0.15	5.48%	10.00	128.91%
3) Employee	\$ 0.14	2.84%	3.50	157.77%
4) Employee	\$ 0.14	2.84%	3.30	163.77%
5) Board Members	\$ 0.09	3.94%	10.00	158.83%
6) Board Members	\$ 0.09	3.94%	10.00	151.61%
7) Employee	\$ 0.06	2.54%	4.00	151.61%
8) Employee	\$ 0.12	2.81%	4.00	156.24%
9) Employee	\$ 0.11	2.81%	4.00	152.03%
10) Employee	\$ 0.12	3.07%	5.85	152.03%
11) Board Member	\$ 0.17	4.43%	10.00	344.55%
12) Consultant	\$ 0.17	0.98%	0.17	187.13%
13) Consultant	\$ 0.17	0.98%	0.33	187.13%
14) Consultant	\$ 0.17	1.55%	1.00	537.80%
15) Consultant	\$ 0.17	1.55%	1.00	537.80%
16) Consultant	\$ 0.17	1.55%	1.00	537.80%
17) Consultant	\$ 0.17	1.55%	1.00	537.80%
18) Board Members	\$ 0.15	4.14%	10.00	247.04%
19) Board Members	\$ 0.15	4.14%	10.00	247.04%
20) Board Members	\$ 0.15	4.14%	10.00	247.04%
21) Board Members	\$ 0.15	4.14%	10.00	247.04%
22) Board Members	\$ 0.15	4.14%	10.00	247.04%
23) Employee	\$ 0.14	3.78%	5.00	250.60%
24) Employee	\$ 0.13	3.47%	5.00	247.04%
25) Employee	\$ 0.23	3.64%	5.00	250.60%
26) Employee	\$ 0.27	3.81%	5.00	240.27%
27) Consultant	\$ 0.14	3.78%	5.00	250.60%
28) Employee	\$ 0.10	3.53%	5.00	236.98%
29) Board Members	\$ 0.09	4.29%	10.00	234.54%
30) Consultant	\$ 0.11	3.65%	5.00	236.98%
31) Employee	\$ 0.31	3.91%	5.00	235.04%
32) Employee	\$ 0.26	3.98%	5.00	235.04%
33) Employee	\$ 0.31	3.91%	5.00	235.04%
34) Employee	\$ 0.31	3.91%	5.00	235.04%
35) Employee	\$ 0.31	3.91%	5.00	235.04%

F-29

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)

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

On April 28, 2004, the Company issued options to purchase 6,000,000 shares of its common stock for prepaid consulting fees. The options are exercisable immediately with 2,000,000 options exercisable at a price of \$0.10 per share for 60 days while 4,000,000 are exercisable at a price of \$0.25 per share for 120 days. During the first quarter of fiscal year 2005, 750,000 options were exercised at \$0.10 and 1,250,000 were allowed to expire unexercised. The issuance of these options resulted in the recording of \$372,988 in variable deferred consulting fees.

In accordance with EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and due to the options being issued for ongoing services, the options are being valued as the services are completed. In order to capture the changes in the fair value of the options over the term of service, changes in the fair values at interim reporting dates are attributed in accordance with FIN 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans". FIN 28 states that consulting expense should be measured at the end of each period as the amount by which the fair value of the options covered by a grant exceeds the option price or value specified under the plan and should be accrued as a charge to expense over the periods the grantee performs the related services. Changes in the quoted market value are being reflected as adjustments of deferred consulting and consulting expense in the period and will continue until the date the services are complete. Consulting deferred during the service period is being adjusted in subsequent periods up to the measurement date for changes, either increases or decreases, in the fair value of the options covered by the grant but shall not be adjusted below zero. The offsetting adjustment is being made to consulting expense of the period in which changes in the fair value occur. The issuance of these options resulted in the recording of an increase in deferred valuation of \$34,787 and \$287,775 in non-cash consulting expense during the quarter ended June 30, 2004.

On April 28, 2004, the Company issued options to purchase 800,000 shares of its common stock for prepaid consulting fees. The options are exercisable immediately in groups of 200,000 at prices of \$0.10, \$0.20, \$0.30 and \$0.35 per share for one year. The issuance of these options resulted in the recording of \$134,889 in variable deferred consulting fees. In accordance with EITF 96-18 and FIN 48, the issuance of these options resulted in the recording of an increase in deferred valuation of \$73,111 and \$34,667 in non-cash consulting expense during the quarter ended June 30, 2004.

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.

During June 2004, the Company issued options to purchase 600,000 of its common stock to five employees, including one Officer. The options are exercisable immediately at a price of \$0.31 per share for five years.

During July 2004, the Company issued 250,000 shares of common stock to its Chief Executive Officer for the non-cash exercise of options, reducing related party debt by \$17,500.

On July 29, 2004, the Company issued options to purchase 5,000 shares of its common stock for consulting services rendered. The options are exercisable immediately at a price of \$0.15 per share for five years.

On July 29, 2004, the Company issued options to purchase 153,533 shares of its

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

common stock to an employee. The options are exercisable at \$0.15 per share as follows: 50,000 on or after July 29, 2005; 50,000 on or after July 29, 2006; and, 53,533 on or after July 29, 2007. The options expire on July 29, 2009.

On July 10, 2004, the Company issued options to purchase 50,000 shares of its common stock to an employee. The options are exercisable at \$0.13 per share as follows: 10,000 on or after July 10, 2005; 20,000 on or after July 10, 2006; and, 20,000 on or after July 10, 2007. The options expire on July 10, 2009.

On July 1, 2004, the Company issued options to purchase 25,000 shares of its common stock to an employee. The options are exercisable at \$0.31 per share as follows: 5,000 on or after July 1, 2005; 5,000 on or after July 1, 2006; and, 15,000 on or after July 1, 2007. The options expire on July 1, 2009.

On August 10, 2004, the Company issued options to purchase 50,000 shares of its common stock to an employee. The options are exercisable at \$0.13 per share as follows: 10,000 on or after July 10, 2005; 20,000 on or after July 10, 2006; and, 20,000 on or after July 10, 2007. The options expire on July 10, 2009.

On September 14, 2004, the Company issued options to purchase 20,786 shares of common stock to each of its three Board Members, for a total issuance of 80,358 at an exercise price of \$0.14 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2003. The options expire on September 14, 2014.

On September 14, 2004, the Company issued options to purchase 31,250 shares of common stock to each of its three Board Members, for a total issuance of 93,750 at an exercise price of \$0.12 per share. The options were issued as compensation for Board services for the quarter ending September 30, 2003. The options expire on September 14, 2014.

On September 14, 2004, the Company issued options to purchase 37,500 shares of common stock to each of its three Board Members, for a total issuance of 112,500 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarter ending December 31, 2003. The options expire on September 14, 2014.

On September 14, 2004, the Company issued options to purchase 16,304 shares of common stock to each of its three Board Members, for a total issuance of 48,912 at an exercise price of \$0.23 per share. The options were issued as compensation for Board services for the quarter ending March 31, 2004. The options expire on September 14, 2014.

On September 14, 2004, the Company issued options to purchase 14,423 shares of common stock to each of its four Board Members, for a total issuance of 52,692 at an exercise price of \$0.26 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2004. The options expire on September 14, 2014.

On January 4, 2005, the Company issued options to purchase 78,948 shares of common stock to each of its four Board Members, for a total issuance of 315,792 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarters ending September 30, 2004 and December 31, 2004.

During the month of January 2005, the Company issued options to purchase 4,500 shares of common stock to a consultant for purchasing services at an exercise price of \$0.10 per share. These figures are included in the above financial

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

statements.

F-31

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
March 31, 2005 and 2004

### NOTE 11 -RELATED PARTY TRANSACTIONS

On September 14, 2004, the Company authorized and issued options to purchase 335,520 shares of common stock to Board Members as payment for accrued directors fees totaling \$45,000. These options vested immediately and have an exercise prices ranging from \$0.10-\$0.23 per share. This payment covered all directors fees incurred for the year ended March 31, 2004

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.

During the quarter ended June 30, 2004, the Company issued options to purchase 150,000 shares of common stock to a newly appointed member of the Board of Directors for services rendered. The options are exercisable at \$0.15 per share for 10 years. The issuance of these options resulted in \$3,000 in non-cash director expenses included in general and administrative expense.

During July 2004, the Company issued 250,000 shares of common stock to its Chief Executive Officer for the non-cash exercise of options, reducing related party debt by \$17,500.

During the month of September 2004, the Company issued options to purchase 14,423 shares of common stock to each of its four Board Members, for a total issuance of 57,692 at an exercise price of \$0.26 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2004.

During October 2004, the Company issued 344,559 shares of common stock at \$0.06 per share to its Chief Executive Officer for the non-cash reduction of related party debt of \$20,674.

During the month of January 2005, the Company issued options to purchase 78,948 shares of common stock to each of its four Board Members, for a total issuance of 315,792 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarters ending September 30, 2004 and December 31, 2004.

During the year ended March 31, 2005, the Company repaid debt owed to the President of the Company of \$48,828 through cash payments and issuances of common stock.

### NOTE 12 - ACCRUED EXPENSES

Accrued expenses are made up of the following at March 31, 2005:

Accrued directors fees	\$ 15,000
Credit card and other miscellaneous accrued expenses	44,079
	-----
Total	\$ 59,079



## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

=====

### NOTE 13 - SUBSEQUENT EVENTS

On April 1, 2005, the Company issued options to purchase 20,270 shares of common stock to each of its four Board Members, for a total issuance of 81,080 at an exercise price of \$0.185 per share. The options expire on April 1, 2016. The options were issued as compensation for Board services for the quarter ending March 31, 2005.

On May 26, 2005, the Company issued options to purchase a total of 282,467 to eight employees. The options are exercisable at \$0.50 per share and expire in five years.

During the month of June 2005, the Board of Directors authorized the issuance of common stock to the indentured trust holders for conversion of notes payable. 654,706 shares were issued in exchange for the reduction of \$101,000, plus interest, in notes payable.

F-33

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

-----

None, not applicable.

#### Item 8(a). Controls and Procedures.

-----

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

#### Item 8(b). Other Information.

Subsequent to this filing, during the first fiscal quarter of 2006, the Company filed a Form 8-K on May 11, 2005. This Form 8-K was filed in accordance to Regulation FD Disclosure with regards to the following press releases:

\* Press Release dated April 26, 2005. PCS Edventures Announces Kindergarten Curriculum.

\* Press Release dated April 27, 2005. PCS Edventures Announces Discussions with LEGO (registered).

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

\* Press Release dated May 3, 2005. PCS Edventures Announces Lab Sale to Site in Portugal.

\* Press Release dated May 10, 2005. PCS Edventures Announces Cleveland Lab Installations.

### 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	58	Chairman of the Board, President, and Chief Executive Officer
Robert O. Grover	42	Executive Vice President, Chief Technology Officer
Christina M. Vaughn	36	Vice President, Chief Financial Officer
Donald J. Farley	54	Secretary, Director
Cecil D. Andrus	77	Director
Michael K. McMurray		Director

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 July 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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.

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.

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 three years ago for the purpose of engaging HJ & Associates for the annual audit. The audit committee currently consists of board members, Michael McMurray and Cecil Andrus. During this last fiscal year, the audit adopted a formal policy regarding the scope, responsibilities and length of service for the audit committee.

Code of Ethics.  
-----

We have adopted a Code of Ethics and it was attached as Exhibit 14 to our 2004 Annual Report.

Item 10. Executive Compensation.  
-----

Cash Compensation.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

-----

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

Long Term Compensation								
			Annual 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- Stock	Secur- ities Under- lying Options	LTIP Pay- outs	All Other Comp- ensat'n
Anthony A. Maher President Director	3/31/05	120,000	0	0	0	*	0	0
	3/31/04	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, 2005 and 2004.

#### Options Grants in Last Fiscal Year

There were grants of stock options made during the fiscal years ended March 31, 2005 and 2004 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 2005 and 2004, 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 - \$90,000; Christina Vaughn - \$80,000. 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

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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 -----
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
Nic Perner	5,000	8/15/02	\$.16	2/15/06
Donald J. Farley*	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
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
Suhas Pharkute	25,000	9/25/03	\$.10	7/29/07
Michael McMurray*	150,000	4/28/04	\$.15	4/28/14
Consultant	2,000,000	4/28/04	\$.10	6/28/04
Consultant	4,000,000	4/28/04	\$.25	8/28/04
Consultant	200,000	4/28/04	\$.10	4/28/05
Consultant	200,000	4/28/04	\$.20	4/28/05
Consultant	200,000	4/28/04	\$.30	4/28/05
Consultant	200,000	4/28/04	\$.35	4/28/05
David Chase	75,000	6/01/04	\$.31	6/08/09
Suzanne Haislip	50,000	6/01/04	\$.31	6/01/09
Richard Wright	75,000	6/01/04	\$.31	6/01/09
Robert O. Grover*	250,000	6/14/04	\$.31	6/14/09
Christina Vaughn*	150,000	6/16/04	\$.31	6/16/09
David Chase	25,000	7/01/04	\$.31	7/01/09
William Albert	50,000	7/10/04	\$.13	7/10/09
Consultant	5,000	7/29/04	\$.15	7/29/09
Robert O. Grover*	153,533	7/29/04	\$.15	7/29/07
Laura Baran	50,000	8/10/04	\$.13	7/10/09
Board Members*	80,358	9/14/04	\$.14	9/22/14
Board Members*	93,750	9/14/04	\$.12	9/22/14
Board Members*	112,500	9/14/04	\$.10	9/22/14
Board Members*	48,912	9/14/04	\$.23	9/22/14
Board Members*	57,692	9/14/04	\$.26	9/22/14
Robert O. Grover*	100,000	11/14/04	\$.10	11/15/09
Board Members*	315,792	1/04/05	\$.10	1/04/15
Consultant	4,500	1/06/05	\$.10	1/06/10

\* 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 29, 2005, by each director and executive officer, all directors and officers as a group, and each person

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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	2,346,147 (3)	7.35%
Robert O. Grover 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	740,000 (4)	2.32%
Donald J. Farley 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,823,632 (5)	5.71%
Cecil D. Andrus 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,084,765 (6)	3.40%
Michael K. McMurray 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	263,641 (7)	(2)
Christina M. Vaughn 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	350,000 (8)	1.10%
All officers and Directors as a group (6 persons)	6,608,185	20.69%

(1) Based upon 28,402,585 shares of common stock issued and outstanding as of June 29, 2005, including 3,538,441 shares that may be issued upon the exercise of currently exercisable options, for a total number of shares outstanding of 31,941,026, 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) 1,850,211 shares owned of record by Mr. Maher, (ii) 10,000 shares owned by Louise Maher, (iii) 19,500 shares which are beneficially owned by a family limited liability named Sullivan Maher for which Mr. Maher acts as a manager (iv) 54,500 shares owned by the Nick Maher foundation of which Mr. Maher is a trustee, (v) 59,000 shares owned by E.L. Sullivan which are voted by Mr. Maher pursuant to an irrevocable proxy, (vi) 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, (vii) 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, and (viii) 20,270 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.19 through April 1, 2016.

(4) These shares include (i) 315,000 shares owned of record by Mr.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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) 250,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.31 through June 14, 2009, and (iv) 100,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through November 15, 2009.

(5) These shares include (i) 722,000 shares owned of record by Mr. Farley, (ii) 9,000 shares in the name of Ryan Farley, (iii) 9,000 shares in the name of Brandon Farley, (iv) 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 2011, (v) 250,000 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 June 3, 2012, (vi) 214,285 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.07 through May 15, 2013, and (vii) 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, (viii) 26,786 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.14 through September 22, 2014, (ix) 31,250 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.12 through September 22, 2014, (x) 37,500 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through September 22, 2014, (xi) 16,304 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.23 through September 22, 2014, (xii) 14,423 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.26 through September 22, 2014, (xiii) 78,948 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through January 4, 2015, (xiv) 20,270 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.19 through April 1, 2016.

(6) 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, 2013, 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, (iv) 100,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.30 through December 31, 2011, (v) 250,000 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 June 3, 2012, (vi) 26,786 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.14 through September 22, 2014, (vii) 31,250 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.12 through September 22, 2014, (viii) 37,500 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through September 22, 2014, (ix) 16,304 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.23 through September 22, 2014, (x) 14,423 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.26 through September 22, 2014, (xi) 78,948 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through January 4, 2015, (xii) 20,270 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.19 through April 1, 2016.



## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

(7) These shares include (i) 150,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.15 through April 22, 2014, (ii) 14,423 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.26 through September 22, 2014, (iii) 78,948 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.10 through January 4, 2015, (iv) 20,270 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.19 through April 1, 2016.

(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, (iii) 150,000 shares which may be issued upon the exercise of currently exercisable stock options; these options are exercisable at \$.31 through June 16, 2009.

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, 2005 and 2004, 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 year ended March 31, 2003, the Company repaid debt owed to the President 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, 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.

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.

On September 14, 2004, the Company authorized and issued options to purchase 335,520 shares of common stock to Board Members as payment for accrued directors fees totaling \$45,000. These options vested immediately and have an exercise prices ranging from \$0.10-\$0.23 per share. This payment

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

covered all directors fees incurred for the year ended March 31, 2004

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.

During the quarter ended June 30, 2004, the Company issued options to purchase 150,000 shares of common stock to a newly appointed member of the Board of Directors for services rendered. The options are exercisable at \$0.15 per share for 10 years. The issuance of these options resulted in \$3,000 in non-cash director expenses included in general and administrative expense.

During July 2004, the Company issued 250,000 shares of common stock to its Chief Executive Officer for the non-cash exercise of options, reducing related party debt by \$17,500.

During the month of September 2004, the Company issued options to purchase 14,423 shares of common stock to each of its four Board Members, for a total issuance of 57,692 at an exercise price of \$0.26 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2004.

During October 2004, the Company issued 344,559 shares of common stock at \$0.06 per share to its Chief Executive Officer for the non-cash reduction of related party debt of \$20,674.

During the month of January 2005, the Company issued options to purchase 78,948 shares of common stock to each of its four Board Members, for a total issuance of 315,792 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarters ending September 30, 2004 and December 31, 2004.

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.

During the year ended March 31, 2005, the Company repaid debt owed to the President of the Company of \$48,828.

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, 2005.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

### Exhibits\*

(i)

Where Incorporated  
in this Report  
-----

Registration Statement on SB-2, as amended.\*\*

Parts I, II and III

(ii)

Exhibit  
Number  
-----

Description  
-----

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 14. 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, 2005, and March 31, 2004:

Fee category -----	2005 ----	2004 ----
Audit fees	\$32,500	\$19,845
Audit-related fees	\$ 0	\$ 0
Tax fees	\$ 0	\$ 0
All other fees	\$ 0	\$ 0
Total fees	\$32,500	\$19,845

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."

Edgar Filing: PCS EDVENTURES COM INC - Form 10KSB

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: 7/14/2005

-----

By/s/Anthony A. Maher

-----

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

Date: 7/16/2005

-----

By/s/Christina M. Vaughn

-----

Christina M. Vaughn  
Vice President and CFO

Date: 7/14/2005

-----

By/s/Donald J. Farley

-----

Donald J. Farley  
Secretary and Director

Date: 7/15/2005

-----

By/s/Cecil D. Andrus

-----

Cecil D. Andrus  
Director