PCS EDVENTURES COM INC
Form 10QSB
August 14, 2006

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

FORM 10-QSB

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

For the quarterly period ended June 30, 2006

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

For the transition period from ______________ to ______________

Commission File No. 000-49990

PCS EDVENTURES!.COM, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

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

345 Bobwhite Court, Suite #200
Boise, Idaho 83706

(Address of Principal Executive Offices)

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

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

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

Applicable Only to Issuers Involved in Bankruptcy Proceedings During the Preceding Five Years

Not applicable.

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

Not applicable.

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: August 10, 2006 - 31,361,090 shares.

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and March 31, 2006

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

ASSETS

	June 30, 2006	March 31, 2006
	(Unaudited)	
CURRENT ASSETS		
Cash	$ 154,938	$ 297,239
Accounts receivable	417,255	608,453
Prepaid expenses	12,899	14,137
Deferred costs	5,494	13,073
Finished goods inventory	45,830	75,606
Capitalized costs (Net) (Note 3)	44,836	89,667
Total Current Assets	681,252	1,098,175
FIXED ASSETS (NET)	12,722	18,164
INTELLECTUAL PROPERTY (NET) (Note 4)	14,287	16,145
EDUCATIONAL SOFTWARE (NET) (Note 5)	121,208	130,404
GOODWILL (Notes 6)	485,238	485,238
OTHER ASSETS		
Deposits	6,175	6,175
Employee receivable	221	1,550
Other assets	1,151	-
Total Other Assets	7,547	7,725
TOTAL ASSETS	$ 1,322,254	$1,755,851

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	June 30, 2006 (Unaudited)	March 31, 2006
CURRENT LIABILITIES		
Accounts payable	$ 235,981	$ 312,866
Accrued compensation	64,937	109,531
Payroll taxes payable	24,036	54,886
Deposits payable	4,461	4,280
Accrued interest	1,946	4,280
Accrued expenses (Note 7)	30,628	34,092
Unearned revenue	113,723	136,554
Notes payable - related parties (Note 8)	116,423	116,590
Notes payable (Net) (Note 9)	716,386	471,022
Other current liabilities	7,570	10,322
Total Current Liabilities	1,316,091	1,253,018
Total Liabilities	1,316,091	1,253,018
STOCKHOLDERS' EQUITY (DEFICIT) (Note 10)		
Preferred stock, no par value, authorized 10,000,000 shares, no shares issued and outstanding	-	-
Common stock, no par value, authorized 40,000,000 shares; 31,361,090, shares issued and outstanding, respectively	26,551,074	26,377,041
Accumulated comprehensive loss	(3,793)	(7,136)
Accumulated deficit	(26,541,118)	(25,867,072)
Total Stockholders' Equity (Deficit)	6,163	502,833
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,322,254	$ 1,755,851

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

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

For the Three Months Ended
June 30,

	2006	2005
REVENUE		
Lab Revenue	$ 510,333	$ 889,522
License Revenue	50,336	44,132
Subscription Revenue	-	1,318
Total Revenues	560,669	934,972
COST OF GOODS SOLD/ COST OF SALES	243,668	382,211
GROSS PROFIT	317,001	552,761
OPERATING EXPENSES		
Salaries and wages	219,209	106,768
Depreciation and amortization expense	397,193	1,190
Options/Warrants expense	111,927	-
General and administrative	272,837	293,767
Total Operating Expenses	1,001,166	401,725
OPERATING INCOME (LOSS)	(684,165)	151,036
OTHER INCOME AND EXPENSES		
Interest income	553	5
Interest expense	(5,016)	(23,778)
Other income	14,582	16,455
Total Other Income and (Expenses)	10,119	(7,318)
INCOME (LOSS) BEFORE INCOME TAXES	(674,046)	143,718
INCOME TAX EXPENSE	-	-
NET INCOME (LOSS)	(674,046)	143,718
Foreign currency translation	3,343	-
COMPREHENSIVE NET INCOME (LOSS)	$ (670,703)	$ 143,718
BASIC INCOME (LOSS) PER SHARE	$ (0.02)	$ 0.01
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING	28,087,871	26,515,013

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

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

	For the Three Months Ended June 30, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(674,046)	$143,718
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	352,361	1,190
Amortization of capitalized costs	44,832	-
Stock/Stock options issued for consulting services	40,861	8,649
Stock options issued for board compensation	11,245	15,000
Stock options issued for employee compensation	125,856	2,825
Amortization of expenses prepaid with common stock	-	(7,667)
Stock issued for legal expenses	-	35,000
Gain on return of common stock	-	(13,750)
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	191,198	(107,924)
(Increase) decrease in inventory	29,776	(46,291)
Decrease in deferred costs	7,578	110,367
Decrease in accounts payable and accrued liabilities	(182,366)	(44,976)
Increase (decrease) in interest payable	2,904	(4,240)
Increase in unearned revenue	(22,831)	(110,315)
Decrease in other assets	17,490	(4,193)
Net Cash Provided (Used) by Operating Activities	(55,142)	(22,607)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payment for notes receivable	(4,270)	-
Purchase of fixed assets	-	(2,515)
Loss on sale of fixed assets	3,758	-
Net Cash Provided by (Used) Investing Activities	(512)	(2,515)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to related parties	-	-
Principal payments on notes payable	(89,990)	(27,726)
Payments on notes payable	-	60,380
Proceeds from notes payable	-	41,728
Net Cash Provided (Used) by Financing Activities	(89,990)	74,382
Foreign currency translation	3,343	-
NET INCREASE (DECREASE) IN CASH	(142,301)	49,260
CASH AT BEGINNING OF PERIOD	297,239	16,753
CASH AT END OF PERIOD	$ 154,938	$ 66,013

Cash Paid For:

Interest	$ 5,016	$ 13,199
Income taxes	$ -	$ -

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

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30 and March 31, 2006

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The condensed consolidated financial statements include the results of PCS Edventures!.com, Inc. and its subsidiaries. The subsidiaries include PCS School, Inc. and PCS LabMentors, LTD., which the Company acquired in October 1994 and November 2005, respectively. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements and presented on an unaudited basis. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its March 31, 2006 Annual Report on Form 10-KSB, which is on file with the SEC.

The financial statements presented are on a consolidated basis and include post-acquisition numbers of PCS LabMentors, LTD. The pre-acquisition net income(loss) and balance sheet accounts are not included herein.

The operating results for the three month periods ended June 30, 2006 and 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2007.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using Generally Accepted Accounting Principals applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have 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, and has negative working capital. 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 shareholders to express substantial doubt about the Company's ability to continue as a going concern are as follows:

The Company continued discussions with several target companies for possible merger and acquisition activities. Furthermore, the Company continued to strengthen its strategic alliances with K'NEX, Science Demo, and Absolute Toy Marketing for further product development and enhancement. The Company has also strengthened its international position by installing Learning Labs in Egypt, Dubai, and Saudi Arabia. To date, the Company has continued to develop marketplace strategy for the US market, as well as the international market. Further, the Company is looking at different marketing strategies to realign products.

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 paragraphs and eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 - CAPITALIZED COSTS

The capitalized costs of $44,836 are the costs associated with the Note Payable Agreement dated December 29, 2005, which funded on January 3, 2006, between the Company and Barron Partners, LP. The total amount of $134,500 is being amortized over the life of the note payable, which has a conversion date of September 30, 2006. To date, $89,664 has been amortized. The additional amount will be amortized each month for the next quarter of fiscal year 2007, after which time the capitalized costs will be fully amortized.

NOTE 4 - INTELLECTUAL PROPERTY

Intellectual property consists of capitalized costs associated with the development of the Internet software and delivery platform developed by PCS LabMentors to enable access to the various educational programs and exercises developed by the Company. In accordance with FAS 86, the initial costs associated with researching the delivery platform and methods were expensed until economic feasibility and acceptance were determined. Thereafter, costs incurred to develop the Internet online delivery platform and related environments were capitalized until ready for use and able to deliver and access the Company's educational programs and exercises. Costs incurred thereafter to maintain the delivery and access platform are expensed as incurred. These capitalized costs are being amortized on a straight-line basis over the estimated useful life of the Company's delivery and access platform, which has been determined to be 60 months. This intellectual property had a carrying value of $16,145 as of March 31, 2006. Amortization recognized for the quarter ended June 30, 2006 was $1,858.

NOTE 5 - EDUCATIONAL SOFTWARE

Educational software was purchased by the Company as a part of the acquisition of LabMentors and consists of internally developed education computer programs and exercises to be accessed on the Internet. In accordance with FAS 86, the costs associated with research and initial feasibility of the programs and exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and exercises are capitalized until they are ready for sale and access and are reported at the lower of unamortized cost or net realizable value. Capitalized program and exercise inventory are amortized on a straight-line basis over the estimate useful life of the program or exercise, generally 42 to 48 months. This educational software had a carrying value of $130,404 as of March 31, 2006. A total of $9,196 of related depreciation was recognized during the current quarter ended June 30, 2006.

NOTE 6 - GOODWILL

The entire goodwill balance of $485,238 at June 30, 2006, which is not deductible for tax purposes due to the purchase being completed through the exchange of stock, is related to the Company's acquisition of PCS LabMentors in November 2005. Included within this amount of goodwill is $135,658 of costs associated with the acquisition. The capitalized costs are for accounting, consulting, and legal fees associated with the transaction. With the acquisition of PCS LabMentors, the Company gained LabMentors' significant interest in the technical college market and increased the products available to educational outlets. The Company also obtained the information technology and programming expertise of LabMentors' workforce, gained additional cost optimization, and gained greater market flexibility in optimizing market information and access to collegiate level sales.

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

At the end of the June 30, 2006 quarter, we undertook an impairment review. After reviewing current operating income and future growth potential of the subsidiary, the Company determined that no impairment was created. The basis for this determination included the growth of existing clients since the end of the fiscal year, conversations with potential customers for the upcoming year, as well as the added economies of scale the subsidiary has added to the Company as a whole, including several technical performance enhancements supplied by LabMentors to supplement the core capabilities of PCS, such as creation of added Internet service bandwidth and associated signal routing capabilities not known to the technical people at PCS; locating and managing a demonstration server on their system for a wide variety of PCS products; and assisting technical people from PCS in the creation and management of a server to host the PCS STEPS(TM) product. In conclusion, the Company felt and still feels that LabMentors brought more than a cutting edge product to PCS, including vertical integration and technology not previously known by PCS.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses are made up of credit card debt of $30,628 at June 30, 2006.

NOTE 8 - NOTES PAYABLE - RELATED PARTY

Notes payable - related party consisted of the following at June 30, 2006:

Notes payable to the President bearing interest at 10% per annum, all unpaid principal and interest payments due on demand	$ 116,423
Total Notes Payable Related Party	$ 116,423

NOTE 9 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2006:

Notes payable related to an investing company bearing no interest, with a conversion option on September 30, 2006	$1,000,000
Debt Discount on notes payable	$(333,334)
Notes payable to a Canadian governmental agency bearing no interest, with payments due September 1, 2006, unsecured (1)	49,720
Line of credit with a financing institution with varying	

interest rates, due periodically (generally monthly), secured by assets and specific receivables	89,990
Total Notes Payable	$ 716,386

(1) The notes payable to a Canadian governmental agency varied from the amount shown at fiscal year end March 31, 2006 due to a fluctuation in the currency exchange rate. No new funds were borrowed to cause the increase.

All notes payable are considered to be current. The discount on notes payable is being amortized monthly over the length of the agreement (conversion date of September 30, 2006) in accordance with EITF 00-27, "Application of Issue 98-5 to Certain Convertible Instruments" and APB Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants."

The notes payable related to an investing company bearing no interest, with a conversion option on September 30, 2006 is explained in further detail in our 10-KSB dated March 31, 2006 on file with the SEC.

As of August 14, 2006, the Note had not been converted and neither of the warrants had been exercised, in whole or in part.

NOTE 10 - Stockholders' Equity

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

During the quarter ended June 30, 2006, the Company issued 25,000 shares of common stock in exchange for conversion of related party note payable with interest valued at $4,000.

During the quarter ended June 30, 2006, the Company issued 18,312 shares of common stock in exchange for consulting services valued at $9,115.

During the quarter ended June 30, 2006, the Company issued stock options to purchase 64,287 shares of common stock in exchange for consulting services valued at $31,745.

During the quarter ended June 30, 2006, the Company expensed options in accordance with FAS 123(R) valued at $111,927.

During the quarter ended June 30, 2006, the Company issued stock options to purchase 18,750 share of common stock as board compensation valued at $11,245.

During the quarter ended June 30, 2006, the Company issued 11,321 shares of common stock to our subsidiary president, Joseph A. Khoury, pursuant to his employment agreement valued at $6,000.

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

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

A summary of the status of the Company's outstanding stock options for the current fiscal year as of June 30, 2006 is presented below:

	Shares	Weighted Average Exercise Price
Outstanding, March 31, 2006	9,109,090	$0.94
Granted	1,063,037	$0.55
Expired/Cancelled	-	n/a
Exercised	(25,000)	$0.11
Outstanding, June 30, 2006	10,147,127	$0.90
Exercisable, June 30, 2006	8,366,127	$1.00

NOTE 11 - SUBSEQUENT EVENTS

On July 7, 2006, the Company signed a Letter of Intent (LOI) for acquisition of certain technological assets of a small, non-publicly traded, U.S. company. The transaction is anticipated to close on or before August 31, 2006. The purchase of assets will be through the issuance of 375,000 shares of Rule 144 stock as stated in the Stock Purchase Agreement.

On July 26, 2006, the Company signed an Equipment Lease (Lease) with Genesis Financial, Inc. The Lease is effective for three years from inception. The Lease is for servers to be located at an offsite server farm. The equipment will be used by all facets of the Company, including its Canadian subsidiary.

On July 31, 2006, the Company entered into a non-exclusive Distribution Agreement with Valiant Technology, Ltd. located in London, UK. Valiant is in the business of designing, developing, marketing, selling, and maintaining various educational products. The Agreement allows the Company to sell certain of Valiant's product lines, namely MathAmigo Software, Roamer and Roamer Accessories, Invento, and Tronix. The Agreement is for distribution rights in the United States and Canada.

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

Overview.

PCS Edventures!.com, Inc. (the "Company," "PCS," "we," "our," "us" or similar words) was incorporated in 1994 in the State of Idaho. In October 1994, we acquired PCS Schools, Inc. ("PCS Schools") and in November 2005 we acquired 511092 N.B. LTD. dba LabMentors based in Fredericton, New Brunswick

Canada, which are both wholly owned subsidiaries of PCS Edventures!.com, Inc. The 511092 N.B. LTD. company was renamed PCS LabMentors, LTD. ("LabMentors" or "PCS LabMentors").

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.

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

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

PCS Edventures!.com, Inc. has developed several innovative technology based educational programs directed to the pre-kindergarten through high school age groups. Our Academy of Engineering(Trademarked); Academy of Electric Engineering(Trademarked); Academy of Science(Trademarked); Academy of Robotics(Trademarked); Edventures! Lab(Trademarked); and Discover! Lab products are site-license installations for classrooms and learning programs. Our PCS BrickLab(Trademarked) and Young Learner Building Box(Trademarked) products are also for classrooms and learning programs, but are not licensed. Our Edventures! Online(Trademarked) 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 program for home use on a monthly subscription basis. Separately, and in combination, these products present a platform for delivering educational services and support to classrooms, learning centers 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.

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

Foreign Currency Exchange Rate Risk.

The Company sells many products throughout the international market, as well as having operations in Canada as a result of the acquisition of LabMentors. As a result, our statement of cash flows and operating results could be affected by changes in foreign currency exchange rates or weak economies of foreign countries. Working capital necessary to continue operating our foreign subsidiary are held in local, Canadian currency, with additional funds utilized through the parent company being held in U.S. dollars. Any gains or losses from the foreign currency translation are presented in our statements of operations. The recently acquired subsidiary is not a significant component of our business and as such the risk associated therewith is minimal.

Results of Operations.

Results of Operations - Overview.

The quarter ended June 30, 2006, resulted in a net loss of ($674,046). This net loss is an increased loss of ($817,764) or approximately 569% from the net income for the quarter ended June 30, 2005, of $143,718. The Basic Loss per Share for the quarter ended June 30, 2006, was ($0.02), as compared to the income per share of $0.01 for the quarter ended June 30, 2005. Details of changes in revenues and expenses can be found below.

During the quarter ended June 30, 2006, the Company experienced significant, non-recurring, non-cash losses. These losses are described in more detail below. Excluding these non-cash, non-recurring losses, namely the amortization of capitalized costs ($44,833), expense related to stock issued below or above market value ($1,615), amortization of stock options in accordance with FAS 123(R) ($154,917) and amortization of the debt discount ($333,333), which total $534,698, the Company had a net loss of ($139,348), excluding non-cash, non-recurring losses (expenditures), as compared to the net income of $143,718 for the quarter ended June 30, 2005.

Three months ended June 30, 2006, compared to three months ended June 30, 2005.

Revenues for the three-month period ended June 30, 2006, decreased to $560,669 or by $374,303 (40%) as compared to $934,972 for the three-month period ended June 30, 2005. This decrease is due to the unusually large sales during the June 30, 2005, quarter to Edison Schools that were not replicated in this quarter. This amount was partially offset by increased license renewals and new customer sales.

Cost of goods sold for the three-month period ended June 30, 2006, decreased by $138,543 (36%) to $243,668 as compared to $382,211 for the three-month period ended June 30, 2005. This decrease was due to the decrease in sales, which was partially offset by the increase in shipping costs.

Operating expenses for the three-month period ended June 30, 2006, increased by $599,441 (149%) to $1,001,166 as compared to $401,725 for the three-month period ended June 30, 2005. Part of the increase during this quarter as compared to the June 30, 2005, quarter was due to the increase in the number of employees, as well as the acquisition of LabMentors. The remainder of the increase during the first quarter of fiscal year 2007 was due to the non-cash items. We had non-cash depreciation expense of $44,833 related to the amortization of capitalized costs for the Barron Partners transaction. We expect to continue to book this non-cash expense over the next quarter of fiscal year 2007, after which time the capitalized costs will be fully amortized. In addition, we booked a non-cash expense during the quarter in the amount of $111,927 relating to the expense of options issued in accordance with FAS 123(R).

Interest expenses for the three-month period ended June 30, 2006, decreased to $5,016 as compared to $23,778 for the three-month, period ended June 30, 2005. This decrease was due to repayment of short term borrowing.

Liquidity.

As of the quarter ended June 30, 2006, we had $154,938 in Cash, with total current assets of $681,252 and total current liabilities of $1,316,091. We have an accumulated deficit of ($26,541,118) and shareholders' equity of $6,163.

The Company has a current ratio of 51.8%. The current ratio for the Quarter ended June 30, 2005 was 47.6%. The ratio indicates that we are currently utilizing all available resources to help grow the Company through internal and external means. We have utilized the current ratio over a quick ratio due to the fact that most items in inventory are easily saleable should the need to liquidate arise.

Item 3. Controls and Procedures.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that information required to be disclosed is recorded, processed, summarized and reported within the specified periods and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic Securities and Exchange Commission reports. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to a reasonable assurance level of achieving such objectives. However, it should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that has materially affected our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

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

Sales of Unregistered Securities During the Last Quarter.

Description	Common Shares	Amount	Preferred Shares	Amount
Joseph Khoury	11,321	6,000		
Anthony A. Maher	25,000	4,000		
Cyndel & Co., Inc.	6,378	3,380(1)		
Cyndel & Co., Inc.	6,104	3,235(2)		
Cyndel & Co., Inc.	5,830	2,500(3)		

(1) These shares were issued for consulting expenses at a weighted average of $0.392 per share, which was below the fair market value and thus additional expenses of $880.16 were booked.

(2) These shares were issued for consulting expenses at a weighted average of $0.4096 per share, which was below the fair market value and thus additional expenses of $734.92 were booked.

(3) These shares were issued for consulting expenses at a weighted average of $0.4288 per share.

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

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None at this time, but please refer to the Company's Preliminary Proxy Statement on file with the Securities and Exchange Commission that is planned to be mailed to stockholders as soon as is reasonably practicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits.

Exhibits.

31.1 302 Certification of Anthony A. Maher

31.2 302 Certification of Christina M. Vaughn

32 906 Certifications

SB-2 Registration Statement Filed with an Effective Date of May 11, 2001*

SB-2 Registration Statement Filed with an Effective Date of March 15, 2006*

Preliminary Information Statement filed with the Securities and Exchange Commission on June 14, 2006*

* Incorporated by Reference.

SIGNATURES

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

PCS EDVENTURES!.COM, INC.

Date: 8/14/2006	By:/s/Anthony A. Maher Anthony A. Maher Chief Executive Officer, President and Chairman of the Board of Directors
Date: 8/14/2006	By:/s/Christina M. Vaughn Christina M. Vaughn Chief Financial Officer
Date: 8/14/2006	By:/s/Donald J. Farley Donald J. Farley Secretary and Director
Date: 8/14/2006	By:/s/Cecil D. Andrus Cecil D. Andrus Director
Date: 8/14/2006	By:/s/Michael K. McMurray Michael K. McMurray Director