PCS EDVENTURES COM INC
Form 10QSB
November 13, 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 September 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:

31,873,555

September 30, 2006

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

September 30, 2006 and March 31, 2006

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

ASSETS

	September 30, 2006	March 31, 2006
	(Unaudited)	
CURRENT ASSETS		
Cash	$ 177,602	$ 297,239
Accounts receivable	175,155	608,453
Prepaid expenses	6,370	14,137
Deferred costs	28,139	13,073
Finished goods inventory	80,446	75,606
Capitalized costs (Net) (Note 3)	-	89,667
Total Current Assets	467,712	1,098,175
FIXED ASSETS (NET) (Note 4)	10,921	18,164
INTELLECTUAL PROPERTY (NET) (Note 5)	236,826	16,145
EDUCATIONAL SOFTWARE (NET) (Note 6)	107,061	130,404
GOODWILL (Note 7)	485,238	485,238
OTHER ASSETS		
Deposits	7,371	6,175
Employee receivable	-	1,550

Total Other Assets	7,371	7,725
TOTAL ASSETS	$ 1,315,129	$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)

	September 30, 2006 (Unaudited)	March 31, 2006
CURRENT LIABILITIES		
Accounts payable	$ 187,380	$ 312,866
Accrued compensation	27,400	109,531
Payroll taxes payable	28,737	54,886
Deposits payable	4,485	4,280
Accrued interest	4,880	2,875
Accrued expenses (Note 8)	30,300	34,092
Unearned revenue	160,904	136,554
Notes payable - related parties (Note 9)	116,423	116,590
Notes payable (Net) (Note 10)	1,049,987	471,022
Other current liabilities	16,083	10,322
Total Current Liabilities	1,626,579	1,253,018
Total Liabilities	1,626,579	1,253,018
STOCKHOLDERS' EQUITY (DEFICIT) (Note 11)		
Preferred stock, no par value, authorized 20,000,000 shares, no shares issued and outstanding	-	-
Common stock, no par value, authorized 60,000,000 shares; 31,873,555 and 31,306,457 shares issued and outstanding, respectively	26,924,002	26,377,041
Accumulated comprehensive loss	(2,768)	(7,136)
Accumulated deficit	(27,232,684)	(25,867,072)
Total Stockholders' Equity (Deficit)	(311,450)	502,833
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,315,129	$ 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 September 30, 2006	For the Three Months Ended September 30, 2005	For the Six Months Ended September 30, 2006	For the Six Months Ended September 30, 2005
REVENUE				
Lab Revenue	$ 447,950	$ 762,852	$ 958,332	$1,652,374
License Revenue	56,936	47,350	107,272	91,482
Subscription Revenue	-	1,235	-	2,553
Total Revenues	504,886	811,437	1,065,604	1,746,409
COST OF GOODS SOLD/ COST OF SALES	205,319	477,080	449,001	859,291
GROSS PROFIT	299,567	334,357	616,603	887,118
OPERATING EXPENSES				
Salaries and wages	237,001	150,323	440,885	257,091
Stock Compensation	40,887	-	46,245	-
Depreciation and amortization expense	397,197	1,191	794,408	2,381
Options/Warrants expense	99,871	-	211,798	-
General and administrative	208,853	310,264	490,248	604,031
Total Operating Expenses	983,809	461,778	1,983,584	863,503
OPERATING INCOME (LOSS)	(684,242)	(127,421)	(1,366,981)	23,615
OTHER INCOME AND EXPENSES				
Interest income	537	18	1,089	23
Interest expense	(4,550)	(11,089)	(11,000)	(34,867)
Other income	-	676	13,565	17,131
Other expense	(3,314)	(2,400)	(2,285)	(2,400)
Total Other Income and (Expenses)	(7,327)	(12,795)	1,369	(20,113)
INCOME (LOSS) BEFORE INCOME TAXES	(691,569)	(140,216)	(1,365,612)	3,502
INCOME TAX EXPENSE	-	-	-	-
NET INCOME (LOSS)	(691,569)	(140,216)	(1,365,612)	3,502
Foreign currency translation	1,025	-	4,368	-
COMPREHENSIVE NET INCOME (LOSS)	$ (690,544)	$ (140,216)	$(1,361,244)	$ 3,502
BASIC INCOME (LOSS) PER SHARE	$ (0.02)	$ 0.00	$ (0.05)	$ 0.00

WEIGHTED AVERAGE NUMBER OF

BASIC SHARES OUTSTANDING	27,725,941	26,874,521	28,410,297	26,854,923

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

F-4

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

	For the Six Months Ended September 30, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(1,365,612)	$ 3,502
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	704,741	2,381
Amortization of capitalized costs	89,667	-
Stock/Stock options issued for consulting services	41,909	96,782
Stock options issued for board compensation	22,492	15,000
Stock options issued for employee compensation	272,590	9,825
Amortization of expenses prepaid with common stock	-	(6,667)
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	504,186	(453,367)
(Increase) decrease in inventory	(4,840)	(79,112)
Decrease in deferred costs	(15,066)	105,372
Decrease in accounts payable and accrued liabilities	(274,096)	226,899
Increase (decrease) in interest payable	5,839	24,954
Increase in unearned revenue	(46,538)	77,739
Decrease in other assets	24,193	7,513
Net Cash Provided (Used) by Operating Activities	(40,535)	52,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(4,298)
Cash payment on notes receivable	(4,638)	-
Loss on sale of fixed assets	3,758	-
Net Cash Provided by (Used) Investing Activities	(880)	(4,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to related parties	-	-
Proceeds from issuance of common stock	7,400	55,035
Principal payments on notes payable	(89,990)	(43,605)
Proceeds from notes payable	-	54,092
Net Cash Provided (Used) by Financing Activities	(82,590)	65,522
Conversions	4,368	-

NET INCREASE (DECREASE) IN CASH	(119,637)	113,295
CASH AT BEGINNING OF PERIOD	297,239	16,752
CASH AT END OF PERIOD	$177,602	$ 130,047

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

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

	For the Six Months Ended September 30,	
	2006	2005
Cash Paid For:		
Interest	$ 5,161	$ 21,386
Income taxes	$ -	$ -
NON-CASH INVESTING & FINANCING ACTIVITIES:		
Purchase of Assets for stock	$ 225,000	$ -
Issuance of stock for payment on notes payable and interest	$ -	$ 140,653
Common stock issued for related party debt	$ -	$ 364

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

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
September 30, 2006 and September 30, 2005

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 six-month periods ended September 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, 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 shareholders to express substantial doubt about the Company's ability to continue as a going concern are as follows:

NOTE 2 (continued) - GOING CONCERN

During the interim period ending September 30, 2006, the Company has established alternative supplier channels, including manipulatives being supplied by K'NEX and EduWise, Co. By creating the alternative supplier chains, the Company has been able to better leverage its purchasing power for such manipulatives. The Company has increased marketing efforts throughout the United States with increased attendance at trade show conferences and new marketing materials, including a redesigned website. The Company continues to enhance existing and create new products to fit the ever-changing needs of the educational market for both domestic and international markets. Current projects include development of our PCS Young Learner BrickLab, which serves the growing needs of preschool students; new curriculum for our PCS Applied Math programs; and revisions to our PCS Academy of Engineering.

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 $134,500 were the costs associated with the Note Purchase Agreement dated December 29, 2005, which was funded on January 3, 2006, between the Company and Barron Partners, LP. The capitalized costs have been fully amortized as of September 30, 2006.

NOTE 4 FIXED ASSETS

Fixed Assets at the fiscal year ended March 31, 2006 were composed of computer equipment and office equipment. The office equipment was fully depreciated prior to March 31, 2006.

NOTE 5 - INTELLECTUAL PROPERTY

Intellectual property consists of capitalized costs associated with the development of the Internet software and delivery platform developed by PCS LabMentors to enable access to the various educational programs and exercises developed by the Company. In accordance with FAS 86 as discussed previously regarding inventory, 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 six-month period ended September 30, 2006 was $4,319.

Another component of intellectual property is educational assets. The educational assets consisted of Edventures! platform, Senior Driver content, VR Quest content, and proprietary curriculum. These assets were fully depreciated prior to September 30, 2006. On August 31, 2006, the Company purchased an additional educational asset for $225,000 from Education Enterprise Solutions. The additional asset will be depreciated in future quarters during its useful life. The Company has estimated this asset's useful life to be 36 months.

NOTE 6 - 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 estimated 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 $23,343 of related depreciation was recognized during the six-month period ended September 30, 2006.

NOTE 7 - GOODWILL

The entire goodwill balance of $485,238 at September 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 September 30, 2006 quarter, we undertook an impairment review. After reviewing current operating losses and future growth potential of the subsidiary, the Company determined that no impairment was created. The basis for this determination included the growth of existing clients since the end of the fiscal year, conversations with potential customers for the upcoming year, the proven record since a bank account was established for the company to sustain operations for the foreseeable future, as well as the added economies of scale the subsidiary has added to the Company as a whole, including several technical performance enhancements supplied by LabMentors to supplement the core capabilities of PCS, such as creation of added internet service bandwidth and associated signal routing capabilities not known to the technical people at PCS; locating and managing a demonstration server on their system for a wide variety of PCS products; and assisting technical people from PCS and E2S in the creation and management of a server to host the STEPS product. In conclusion, the Company felt and still feels that LabMentors brought more than a cutting edge product to PCS, but the acquisition also brings vertical integration and technology not previously known by PCS.

NOTE 8 - ACCRUED EXPENSES

Accrued expenses are made up of credit card debt of $30,300 at September 30, 2006.

NOTE 9 - NOTES PAYABLE - RELATED PARTY

Notes payable - related party consisted of the following at September 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 10 - NOTES PAYABLE

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

Notes payable related to an investing company bearing no interest, with a conversion option on September 30, 2006	$1,000,000
Notes payable to a Canadian governmental agency bearing no interest, with payments due September 1, 2006, unsecured (1)	49,987
Total Notes Payable	$1,049,987

(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 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 September 30, 2006, the Note had not been converted and neither of the warrants had been exercised, in whole or in part. However, on October 17, 2006, the Company received a notice that the Note obligation had been fulfilled after the automatic conversion of the Note occurred subsequent to the shareholders' approval of Series A Preferred Stock at the Annual Meeting held on September 29, 2006. See Note 12 for additional information. To date, neither of the warrants have been exercised.

NOTE 11 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.

NOTE 11 (continued)- STOCKHOLDERS' EQUITY

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 stock as employee compensation valued at $6,000.

During the quarter ended September 30, 2006, the Company issued 2,473 shares of common stock in exchange for consulting services valued at $1,048.

During the quarter ended September 30, 2006, the Company issued stock options to purchase 24,999 shares of common stock as board compensation valued at $11,247.

During the quarter ended September 30, 2006, the Company issued 30,000 shares of common stock for the exercise of stock options by an employee valued at $3,900.

During the quarter ended September 30, 2006, the Company issued 18,035 shares of common stock to employees for bonuses related to fiscal year 2006 valued at $11,363.

During the quarter ended September 30, 2006, the Company expensed options in accordance with FAS 123(R) valued at $99,871.

During the quarter ended September 30, 2006, the Company issued 375,000 shares of common stock valued at $225,000 in exchange for the purchase of a technological asset.

During the quarter ended September 30, 2006, the Company issued 36,957 shares of common stock to an employee as additional compensation valued at $17,000.

During the quarter ended September 30, 2006, the Company issued 50,000 shares of common stock for the exercise of stock options by an employee valued at $3,500.

During the quarter ended September 30, 2006, the Company issued stock options to purchase 75,000 shares of common stock as additional compensation to an employee valued at $34,737.

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.

NOTE 11 (continued)

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. As a result of adopting the fair value method for stock compensation, all future awards and current awards vesting in future periods will be expensed over the stock options' vesting period as defined in its contract award. The Company adopted this provision during the first quarter of fiscal year 2007, which ends March 31, 2007.

A summary of the status of the Company's outstanding stock options as of September 30, 2006 is presented below:

	Shares	Weighted Average Exercise Price
Outstanding, March 31, 2006	9,109,090	$0.94
Granted	1,223,036	$0.55
Expired/Cancelled	-	-
Exercised	(105,000)	$0.11
Outstanding, September 30, 2006	10,227,126	$0.99
Exercisable, September 30, 2006	8,451,126	$0.99

NOTE 12 - SUBSEQUENT EVENTS

On October 4, 2006, the Second Amended and Restated Articles of Incorporation of PCS Edventures!.com, Inc. (the "Articles") were filed with the Idaho Secretary of State. The Articles included amendments approved by the shareholders at the Annual Meeting on September 29, 2006. A complete copy of the Articles was filed with the SEC on October 3, 2006 on Form 8K.

On October 5, 2006, the Company filed Form 8K stating that Dr. Dehryl A. Dennis was appointed by the Board of Directors to serve as the fifth Board Member effective October 1, 2006. Dr. Dennis will serve until the next annual meeting. Dr. Dennis' background can be viewed within the Form 8K filed with the SEC on October 5, 2006.

On October 11, 2006, the Company received notification from the United States Patent and Trademark Office (USPTO) that the PCS BrickLab (& Design) will be published in the Official Gazette on October 31, 2006. If no opposition to registration of the mark is received within thirty (30) days of the posting, PCS BrickLab (& Design) will be duly registered and a Certificate of Registration will be sent to our offices.

NOTE 12 (continued)

On October 13, 2006, the Company received a Notice of Conversion from Barron

Partners, LP requesting that the Note Purchase Agreement dated December 29, 2005 be converted into 1,666,667 shares of Series A Preferred Stock pursuant to the terms therein. The terms contained in the Agreement included automatic conversion after approval of the shareholders for designation of Series A Preferred Stock. The shareholders approved the designation at the Annual Meeting held on September 29, 2006. The Note Purchase Agreement was cancelled on October 19, 2006 through acknowledgement from Barron Partners, LP.

F-13

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); PCS 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 following 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 September 30, 2006, resulted in a net loss of $691,569. This net loss is a decrease in income by approximately 393% as compared to the net loss for quarter ended September 30, 2005, of $140,216. The Basic Loss per Share for the quarter ended September 30, 2006, is $0.02, as compared to the loss per share of $0.00 for the quarter ended September 30, 2005. Details of changes in revenues and expenses can be found below.

During the quarter ended September 30, 2006, the Company experienced significant, non-recurring, non-cash losses. Excluding these non-cash, non-recurring losses, namely the amortization of capitalized costs ($44,835), amortization of stock options in accordance with FAS 123(R) ($99,871) and amortization of the debt discount ($333,334), which total $478,040 in expenses, the Company would have had a net loss of $213,529, excluding non-cash, non-recurring losses (expenditures), as compared to the net loss of $140,216 for the quarter ended September 30, 2005. This would have resulted in a loss per share of $0.01.

During the six-month period ended September 30, 2006, the Company experienced significant, non-recurring, non-cash losses. Excluding these non-cash, non-recurring losses, namely the amortization of capitalized costs ($89,667), amortization of stock options in accordance with FAS 123(R) ($211,798) and amortization of the debt discount ($666,667), which total

$968,132 in expenses, the Company would have had a net loss of $397,480, excluding non-cash, non-recurring losses (expenditures), as compared to the net income of $3,502 for the six-month period ended September 30, 2005. This would have resulted in a loss per share of $0.01.

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

Revenues for the three-month period ended September 30, 2006, decreased to $504,886 or by approximately 38% as compared to $811,437 for the three-month period ended September 30, 2005. This decrease is due to the unusually large sales during the September 30, 2005, quarter to Meridian Joint School District and Detroit Public Schools.

Cost of goods sold for the three-month period ended September 30, 2006, decreased by approximately 57% to $205,319 as compared to $477,080 for the three-month period ended September 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 September 30, 2006, increased by approximately 113% to $983,809 as compared to $461,778 for the three-month period ended September 30, 2005. Part of the increase during this quarter as compared to the September 30, 2005, quarter was due to the increase in the number of employees, as well as the acquisition of LabMentors. We also had marketing expenses of approximately $50,000 for the quarter ended September 30, 2006, which are included in the Sales, General and Administrative expense figure above. This amount for marketing includes all travel and conference fees related to trade shows that our sales team attends. The Company has seen an increase in marketing expense since last year ($20,667 for the same period last year), due to the additional marketing effort by the in-house sales team. The remainder of the increase during the first quarter of fiscal year 2007 was primarily due to the non-cash items listed below.

We had a non-cash depreciation expense of $44,835 related to the amortization of capitalized costs for the Barron Partners transaction. The capitalized costs have been fully amortized as of September 30, 2006. The Company also booked non-cash amortization of debt discount related to the Barron Partners transaction for the quarter ended September 30, 2006, in the amount of $333,334. This debt discount has also been fully amortized as of September 30, 2006. In addition, we booked a non-cash expense during the quarter in the amount of $99,871 relating to the expense of options issued in accordance with FAS 123(R).

Interest expenses for the three-month period ended September 30, 2006, decreased to $4,550 as compared to $11,089 for the three-month, period ended September 30, 2005. This decrease was due to repayment of short-term borrowing.

Six months ended September 30, 2006, compared to six months ended September 30, 2005.

Revenues for the six-month period ended September 30, 2006, decreased to $1,065,604. This is approximately a 39% decrease when compared to revenues of $1,746,409 for the six-month period ended September 30, 2005. This decrease is due to the unusually large sales during the September 30, 2005, quarter to Meridian Joint School District and Detroit Public Schools, as well as a decrease in our PCS Academy of Science product line. This amount was partially offset by increased sales for our PCS BrickLab, Discover Lab, and Edventures Lab.

Cost of goods sold for the six-month period ended September 30, 2006, decreased by approximately 48% to $449,001 as compared to $859,291 for the six-month period ended September 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 six-month period ended September 30, 2006, increased by approximately 130% to $1,983,584 as compared to $863,503 for the six-month period ended September 30, 2005. Part of the increase during this interim period as compared to the interim period ended September 30, 2005, was due to the increase in the number of employees, as well as the acquisition of LabMentors. We also had marketing expenses of approximately $98,000 for the six-month period ended September 30, 2006, which are included in the Sales, General and Administrative expense figure above. This amount for marketing includes all travel and conference fees related to trade shows that our sales team attends. The Company has seen an increase in marketing expense since last year ($66,865 for the same period last year), due to the additional marketing effort by the in-house sales team. The remainder of the increase during the interim period was primarily due to the non-cash items as outlined below.

We had a non-cash depreciation expense of $89,667 related to the amortization of capitalized costs for the Barron Partners transaction. This non-cash expense of the capitalized costs has been fully amortized as of September 30, 2006. The Company also booked non-cash amortization of debt discount related to the Barron Partners transaction for the interim period ended September 30, 2006 in the amount of $666,667. The debt discount has also been fully amortized as of September 30, 2006. In addition, we booked a non-cash expense during the quarter in the amount of $211,798 relating to the expense of options issued in accordance with FAS 123(R).

Interest expenses for the six-month period ended September 30, 2006, decreased to $11,000 as compared to $34,867 for the six-month, period ended September 30, 2005. This decrease was due to repayment of short-term borrowing.

Liquidity.

As of the quarter ended September 30, 2006, we had $177,602 in Cash, with total current assets of $467,712 and total current liabilities of $1,626,579. We have an accumulated deficit of $27,232,684 and a shareholders' deficit of $311,450.

The Company has a current ratio of 0.288. The current ratio for the Quarter ended September 30, 2005 was 0.876. 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 President, our Chief Compliance Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President and Secretary 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 President 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 President and Secretary 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
Cyndel & Co. (1)	2,473	1,048	-	-
Laura Baran (2)	30,000	3,900	-	-
Suhas Pharkute (3)	9,227	5,813	-	-
Zoltan Cserna (3)	6,812	4,292	-	-
Mary Roice (3)	1,996	1,257	-	-
Suzy Haislip (4)	50,000	3,500	-	-
Education Enterprise Solutions (5)	375,000	225,000	-	-
Suhas Pharkute (6)	36,957	17,000	-	-

(1) These shares were issued for consulting expenses at a weighted average of $0.424 per share.
(2) These shares were issued for the exercise of a stock option at $0.13 per share.
(3) These shares were issued for the payout of a bonus related to fiscal year 2006 to employees at $0.63 per share.
(4) These shares were issued for the exercise of a stock option at $0.16 per share.
(5) These shares were issued at $0.60 per share for the purchase of a technological asset.
(6) These shares were issued to an employee as additional compensation at $0.48 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 similar state exemptions, and with respect to any foreign investors, pursuant to Regulation S of the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits.

Exhibits.

31.1 302 Certification of Anthony A. Maher

31.2 302 Certification of Shannon M. Wilson

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*

Form 8K dated October 25, 2006*

Form 8K dated January 9, 2006*

Note Purchase Agreement*, with the following Exhibits:

Exhibit A*: Convertible Note in the principal amount of $1,000,000

Exhibit B-1*: Common Stock Purchase Warrant "A"

Exhibit B-2*: Common Stock Purchase Warrant "B"

Exhibit C*: Registration Rights Agreement

Exhibit D*: Escrow Agreement

Form 10-KSB dated June 29, 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: 11/13/06 By: /s/Anthony A. Maher

Anthony A. Maher
Chief Executive Officer, President and
Chairman of the Board of Directors

Date: 11/13/06 By: /s/Shannon M. Wilson

Shannon M. Wilson
Chief Financial Officer

Date: 11/10/06 By: /s/Donald J. Farley

Donald J. Farley
Secretary and Director

Date: 11/10/06 By: /s/Cecil D. Andrus

Cecil D. Andrus
Director

Date: 11/13/06 By: /s/Michael K. McMurray

Michael K. McMurray
Director