



11915 W. Executive Dr., Ste 100
Boise, ID 83713
(800) 429-3110 • (208) 343-3110
<http://www.edventures.com>

A letter from the CEO

Dear Shareholders and Supporters,

This year has been a major turning point for our Company. We are now a debt-free company which will save us over \$140,000 in interest expense over the course of a year. As of March 31, 2023 (the end of our FY 2023), we held \$442,000 of cash in the bank. We expect our cash balance to rise significantly over the course of FY 2024, and have opened a Vanguard money market account for surplus cash investments. The end result of this transition to a debt-free company is that the business will now earn money on our assets as opposed to paying interest on a liability.

We had a breakout year, both in terms of revenue and net income. The Company generated revenue of \$7.0 million, a 72% increase on the revenue we reported last fiscal year. Net income before tax benefits was \$1.79 million, up 145% from last fiscal year's net income. Let me discuss what I mean by income before tax benefits.

We have been profitable in four out of the last five fiscal years. Unfortunately, our Company did not generate a profitable fiscal year prior to these past five years. However, these losses generated a tax-loss carry-forward asset that the Company has been using to offset income, thereby reducing our tax burden to near zero in profitable years. Given our history of profitability over the past five years, and our expectations of that trend continuing in the future, management believes that it is appropriate to recognize a portion of this deferred tax asset on our balance sheet (termed "deferred tax asset") and income statement (termed "income tax benefit") for FY 2023. That portion represents Management's conservative estimate of the amount of the deferred tax asset that the Company will be able to use in the future. After recognition of this deferred tax asset, our net income was \$2.80 million for FY 2023, and our ending book value was \$3.30 million.

Last year, I discussed how the Company was soliciting larger customers and starting to see some success. On that front, I am happy to report that we are continuing to see success. On October 3, 2022, the Company announced a contract award from the United States Air Force Junior Reserve Officers' Training Corps. This contract contemplates a five-year term, with each year subject to renewal by the Air Force. To date, the Air Force has placed two orders under the terms of the first year of the contract. On February 23, 2023, the Air Force notified the Company of its intent to exercise its option for the second year of the contract, with the explicit statement that the notice is preliminary and does not commit the Air Force to the extension. To date, the Air Force has placed orders totaling \$3.58 million. We will be fulfilling the Air Force's second order, totaling \$0.92 million in the second quarter of FY 2024.

On January 11, 2023, the Company announced that it would be partnering with the Iowa Governor's STEM advisory Council to provide the Company's *Discover Drones* program to middle and high school students for the 2023-2024 school year via Iowa's Scale-Up Program. The Iowa legislature must approve the funding for the Scale-Up Program before this business is official. However, they have always approved the funding, Scale-Up awardees have already been notified, and the Company is preparing for the two-day trainings that will be conducted in Iowa in July and August of 2023 at six different sites. Based on preliminary information provided to the Company by Scale-Up officials, the Company expects this order to be in excess of \$700,000. We will be fulfilling the Iowa Scale-Up orders in the second quarter of FY 2024.

Looking at FY 2024, the first quarter is nearly behind us, and it was a good one. We have great visibility of a good second quarter given our large customer backlog. We worked hard to put the wind at our back, but we are grateful for the business. Our team is working hard to process all the orders we have on the books and is doing a great job. We have the right talent and people in place to build the business and scale to be a much larger company.



Thank you for your support and patience.

Sincerely,

Todd Hackett, CEO

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

PCS Edventures!, Inc.

11915 W. Executive Dr., Ste. 101
Boise, ID 83713
208-343-3110
<https://www.edventures.com/>
info@edventures.com
8299

Annual Report

For the period ending March 31, 2023 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

125,732,479 as of March 31, 2023

124,482,479 as of March 31, 2022

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

PCS Edventures!, Inc. is our current company name. We were first organized as PCS Education Systems, Inc. on August 3, 1994. On March 27, 2000, we changed our name from PCS Education Systems, Inc. to PCS Edventures!.com, Inc. On August 31, 2015, we changed our name from PCS Edventures!.com, Inc. to PCS Edventures!, Inc.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Idaho – Active and Good Standing

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

11915 W. Executive Dr., Ste.101 Boise, ID 83713

The address(es) of the issuer's principal place of business:

☒ *Check if principal executive office and principal place of business are the same address:*

Same as above.

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

None

2) Security Information

Transfer Agent

Name: Issuer Direct Corporation
Phone: 801-272-9294
Email: Julie.felix@issuerdirect.com
Address: 1981 E. Murray Holladay Rd., #100
Salt Lake City, UT 84117

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>PCSV</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>69325N 10 2</u>	
Par or stated value:	<u>0.00</u>	
Total shares authorized:	<u>150,000,000</u>	<u>as of date: 3/31/2023</u>
Total shares outstanding:	<u>125,732,479</u>	<u>as of date: 3/31/2023</u>
Total number of shareholders of record:	<u>239</u>	<u>as of date: 3/31/2023</u>

All additional class(es) of publicly quoted or traded securities (if any): None

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>Preferred Stock</u>	
CUSIP (if applicable):	<u>N/A</u>	
Par or stated value:	<u>N/A</u>	
Total shares authorized:	<u>20,000,000</u>	<u>as of date: 3/31/2023</u>
Total shares outstanding (if applicable):	<u>0</u>	<u>as of date: 3/31/2023</u>
Total number of shareholders of record: (if applicable)	<u>0</u>	<u>as of date: 3/31/2023</u>

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

Each share of Common Stock is entitled to one vote and does not have preemptive rights. The Company has never paid a dividend on its Common Stock. Dividends, if any, will be declared at the discretion of the Board of Directors.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

We have no preferred stock outstanding.

3. **Describe any other material rights of common or preferred stockholders.**

None

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Date <u>3/31/2021</u> Opening Balance Common: <u>123,482,479</u> Preferred: <u>0</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>7/23/2021</u>	<u>New</u>	<u>1,000,000</u>	<u>Common Stock</u>	<u>\$0.015</u>	<u>Yes</u>	<u>K2Red, LLC Beneficial Owner >5%</u>	<u>Warrant Exercised</u>	<u>Restricted</u>	<u>144</u>
<u>8/18/2023</u>	<u>New</u>	<u>1,000,000</u>	<u>Common Stock</u>	<u>\$0.025</u>	<u>Yes</u>	<u>Michael J. Bledsoe</u>	<u>Option Exercised</u>	<u>Restricted</u>	<u>144</u>
<u>3/15/2023</u>	<u>New</u>	<u>250,000</u>	<u>Common Stock</u>	<u>\$0.020</u>	<u>Yes</u>	<u>Michelle Fisher</u>	<u>Option Exercised</u>	<u>Restricted</u>	<u>144</u>
Shares Outstanding on Date of This Report: Date <u>3/31/2023</u> Ending Balance: Common: <u>125,732,479</u> Preferred: <u>0</u>									

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above: None

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$) 12/31/2022	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)

Use the space below to provide any additional details, including footnotes to the table above: None

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com).

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company specializes in creating experiential, hands-on, K12 STEM (Science, Technology, Engineering, and Math) education products and curriculum. (STEM is often abbreviated as STEAM – Science, Technology, Engineering, Arts, and Math – to include the arts. We use the terms STEM and STEAM interchangeably throughout this document and make no significant distinction between the two terms.) Through our acquisition of Thrust-UAV, we developed educational drones and drone curriculum. Our customers include schools and school districts from the collegiate to kindergarten level, and providers of out-of-school programming which include after-school programs, home-schooling programs, summer programs, and corporate outreach programs. We sell predominately in the United States and sell into nearly every state in the nation. We have a few international customers, but revenue from customers outside of the United States is not material and we do not focus our sales efforts on international markets at this time.

Our products facilitate STEM education by providing engaging activities that demonstrate STEM concepts and inspire further STEM studies, with the goal of ultimately leading students to pursue STEM career pathways. Due to our exceptionally detailed curriculum, our products are easy to teach and do not require a teaching degree or experience to administer.

PCS' educational products are developed from both in-house efforts and contracted services. They are marketed through reseller channels, direct sales efforts, partner networks, and web-based channels.

- B. List any subsidiaries, parent company, or affiliated companies.

None

C. Describe the issuers' principal products or services.

PCS has developed and sells a variety of STEM education products into the K12 market which can be categorized as follows:

1. Enrichment Programs

These programs are for the informal learning market (i.e. YMCAs, Boys & Girls Clubs, summer programs, after-school programs) and are designed to be highly engaging for students while easily administered by the instructor. The Company currently offers 31 different enrichment programs: 10 for grades K-3; 7 for grades 4-6; 4 for grades 4-8; and 7 for grades 6-8. We typically develop at least one new program each year.

2. Discover Series Products

These products are designed for the makerspace environment (i.e. classrooms, after-school programs, and clubs where inventing and building are encouraged) and include engaging STEM activities that motivates students to pursue educational pathways toward STEM careers. We offer 13 different titles covering grades 1-12.

3. BrickLAB Products

These products are designed for the grade school market (which includes both classroom and informal learning environments) and use the Company's proprietary bricks (LEGO compatible) and curriculum to engage students to explore, imagine, and create within a STEM education framework. The Company offers a variety of grade-specific BrickLAB products. Our bricks are manufactured in South Korea by a long-time supplier.

4. Discover Drones, Add-on Drone Packages and Ala Carte Drone Items

These products are designed using drones as a platform for STEM education and career exploration and target the 7-12 grade levels. We have developed our proprietary educational drone called RubiQ, which students build and fly, and have incorporated that drone into our Discover Drones product line. We have also incorporated drones manufactured by third parties, using our proprietary curriculum, into enrichment programs and Discover series products.

5. STEAMventures BUILD Activity Book

This is designed for the K-3 market and ideal for a distance-learning environment. The series includes twelve (12) different issues, each based on a theme. Instructor guides and/or family engagement guides are included. Each STEAMventures Build Activity Book contains builds, using Lego-compatible bricks, related to the theme of the magazine. The Company also offers the bricks required for the builds in the Activity Books separately.

All of the above product lines listed in 1-5 above come with proprietary curriculum and educator guides developed by our Company. We also sell our curriculum as a stand-alone product.

6. Professional Development Training

The Company offers professional development trainings, for a fee, to educators who are implementing the Company's products in their program. For non-profit STEM grantor organizations who purchase large quantities of our programs for implementation over a wide reach, we offer professional development trainings at a large discount to our standard rates. Similarly, we also offer complementary webinars to customers providing an overview of their recent purchase from the Company.

5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

PCS Edventures!, Inc.'s corporate headquarters, R&D activities, and manufacturing facilities are located at 11915 W. Executive Dr., Ste. 101, Boise, ID 83713. The Company occupies 10,000 square feet of office and warehouse space under a lease with a monthly rental which is due to expire on October 31, 2024.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Todd R. Hackett</u>	<u>Chairman, CEO, Beneficial Owner > 10%</u>	<u>1923 Wildwood Ln. Muscatine, IA 52761</u>	<u>55,465,380</u>	<u>Common Stock</u>	<u>44.11%</u>	_____
<u>Michael J. Bledsoe</u>	<u>President, Director, Principal Financial Officer</u>	<u>1227 E. Versailles Ct. Boise, ID 83706</u>	<u>2,734,235</u>	<u>Common Stock</u>	<u>2.17%</u>	_____
<u>Daniel Fuchs</u>	<u>Private Individual Beneficial Owner > 5%</u>	<u>3072 Heatherwood Rd. Twin Falls, ID 83301</u>	<u>11,662,001</u>	<u>Common Stock</u>	<u>9.28%</u>	<u>Includes shares owned by K2 Red, LLC., in which Daniel Fuchs is a 33.3% owner</u>
<u>K2Red, LLC</u>	<u>Limited Liability Company, Beneficial Owner > 5%</u>	<u>526 Shoup Ave. W. Suite K Twin Falls, ID 83301</u>	<u>7,300,547</u>	<u>Common Stock</u>	<u>5.81%</u>	<u>Daniel Fuchs is a 33.3% owner, control person and resident agent</u>

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Leonard W. Burningham
Firm: Burningham Law Group
Address 1: P.O. Box 521844
Address 2: Salt Lake City, UT 84152
Phone: (801) 363-7411
Email: lwb@burninglaw.com

Accountant or Auditor

Name: Rob Abercrombie, CPA
Firm: Haynie & Company, CPAs
Address 1: 1785 West 2320 South
Address 2: Salt Lake City, UT 84119
Phone: (801) 972-4800
Email: roba@hayniecpas.com

Investor Relations

None

All other means of Investor Communication:

Twitter: not active
Facebook: not active
[Other] email list for news release dissemination

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: Karris Kimble, CPA
Firm: B.A. Harris, CPAs
Nature of Services: Tax reporting, financial statement preparation
Address 1: 1290 W. Myrtle Street, Suite 310
Address 2: Boise, ID 83702
Phone: (208) 424-5177, ext 2107
Email: karris@baharris.cpa

9) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)²:

Name: **Michael J. Bledsoe**
Title: **President**
Relationship to Issuer: **Employee**

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Bledsoe, the Company's President and Principal Financial Officer, oversees the preparation of the financial statements. He is a former investment advisor with extensive experience analyzing financial statements. He is assisted by Stephanie Gitter, an employee and accountant, and by Karris Kimble, CPA and outside consultant. Annual financial statements are audited by Haynie & Company, CPAs.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

The Company's audited financial statements for the Fiscal Year ending March 31, 2023, and for the Fiscal Year ending March 31, 2022 are provided at the end of this disclosure statement.

² The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Todd R. Hackett, certify that:

1. I have reviewed this Disclosure Statement for PCS Edventures!, Inc. for the period ending March 31, 2023;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 5, 2023

/s/ [Todd R. Hackett]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Michael J. Bledsoe, certify that:

1. I have reviewed this Disclosure Statement for PCS Edventures!, Inc. for the period ending March 31, 2023;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 5, 2023

/s/ [Michael J. Bledsoe]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



1785 West 2320 South
Salt Lake City, UT 84119

801-972-4800

801-972-8941

www.HaynieCPAs.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of PCS Edventures!, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of PCS Edventures!, Inc. (the Company) as of March 31, 2023 and 2022, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two year period ended March 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two year period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



An independently owned member
RSM US Alliance

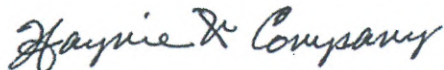


Deferred Tax Asset

The Company has significant net operating losses (NOLs) which arose due to past losses. During the current year, the Company determined that a large portion of those NOLs will be realized and reversed the corresponding allowance. Management of the Company used judgement to determine how much of the asset can be recognized and how much allowance should be recorded. Because the recording of the asset directly affects net income, we considered this a significant estimate that involved subjective judgments made by management.

How We Addressed it During Our Audit

We considered the relevant professional accounting guidance surrounding income taxes and considered both positive and negative evidence to consider the realization of the Company's deferred tax assets. We obtained a memo from the Company that included the assumptions used in their evaluation and estimate. We evaluated the assumptions used by the Company in making their determination and reviewed the Company's tax provision prepared by a 3rd party accountant.



Haynie & Company

We have served as the Company's auditor since 2019.

Salt Lake City, Utah
June 30, 2023

PCS EDVENTURES!, INC.
Balance Sheets

	As of March 31,	
	2023	2022
CURRENT ASSETS		
Cash	\$ 442,657	\$ 584,070
Accounts receivable, net of allowance for doubtful accounts of \$18,469 and \$3,438, respectively	363,947	360,670
Accounts receivable, other receivables	13,312	105,314
Prepaid expenses	436,118	85,728
Inventory, net	1,237,872	1,159,627
Total Current Assets	2,493,906	2,295,409
NON-CURRENT ASSETS		
Lease right-of-use asset	173,352	266,680
Deposits	6,300	6,300
Property and equipment, net	31,533	17,165
Deferred tax asset	1,011,466	-
Total Noncurrent Assets	1,222,651	290,145
TOTAL ASSETS	\$ 3,716,557	\$ 2,585,554
CURRENT LIABILITIES		
Accounts payable	\$ 27,927	\$ 90,314
Payroll liabilities and accrued expenses	226,231	276,837
Deferred revenue	7,085	-
Lease liabilities, current portion	103,026	93,327
Notes payable, related party	-	1,493,327
Total Current Liabilities	364,269	1,953,805
Lease liabilities, net of current portion	72,726	174,353
TOTAL LIABILITIES	436,995	2,128,158
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value, 20,000,000 authorized shares, No shares issued and outstanding	-	-
Common stock, no par value, 150,000,000 authorized shares, 125,732,479 and 124,482,479, respectively, shares issued and outstanding	-	-
Additional Paid-in Capital	40,635,392	40,589,402
Accumulated deficit	(37,355,830)	(40,132,006)
Total Stockholders' Equity	3,279,562	457,396
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,716,557	\$ 2,585,554

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

PCS EDVENTURES!, INC.
Statements of Operations

	For the years ended March 31,	
	2023	2022
REVENUE		
Revenue	\$ 7,004,575	\$ 4,067,652
Total Revenue	<u>7,004,575</u>	<u>4,067,652</u>
 COST OF SALES	 <u>2,798,617</u>	 <u>1,711,085</u>
 GROSS PROFIT	 <u>4,205,958</u>	 <u>2,356,567</u>
 OPERATING EXPENSES		
Salaries and wages	1,521,536	1,283,503
General and administrative expenses	871,967	598,024
Total Operating Expenses	<u>2,393,503</u>	<u>1,881,527</u>
OPERATING INCOME	<u>1,812,455</u>	<u>475,040</u>
 OTHER INCOME AND (EXPENSES)		
Interest expense	(142,605)	(165,750)
Payroll Protection Program Loan forgiveness	-	221,050
Other income, government relief program (ERTC)	94,860	198,995
Net Other Income (Expense)	<u>(47,745)</u>	<u>254,295</u>
 Net Income before income tax provision	 <u>1,764,710</u>	 <u>729,335</u>
 Income Tax Benefit	 <u>1,011,466</u>	 <u>-</u>
 NET INCOME	 <u>\$ 2,776,176</u>	 <u>\$ 729,335</u>
 Net Income per common share:		
Basic	\$0.02	\$0.01
Fully diluted	\$0.02	\$0.01

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

PCS EDVENTURES!, Inc.
Statement of Stockholders' Equity (Deficit)

	<u># of Common Shares O/S</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Stockholders' Equity (Deficit)</u>
Balance at 3/31/2021	123,482,479	-	\$40,548,563	(\$40,861,341)	(\$312,778)
Net income	-	-	-	\$729,335	\$729,335
Shares issued (exercise of warrants)	1,000,000	-	\$15,000	-	\$15,000
Option expense	-	-	\$25,839	-	\$25,839
Balance at 3/31/2022	124,482,479	-	\$40,589,402	(\$40,132,006)	\$457,396
Net income	-	-	-	\$2,776,176	\$2,776,176
Shares issued (exercise of options)	1,250,000	-	\$30,000	-	\$30,000
Option expense	-	-	\$15,990	-	\$15,990
Balance at 3/31/2023	125,732,479	-	\$40,635,392	(\$37,355,830)	\$3,279,562

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

PCS EDVENTURES!, INC.
Statements of Cash Flows

	For the years ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	\$ 2,776,176	\$ 729,335
Stock based compensation	15,990	25,839
Depreciation and amortization	5,127	1,663
Amortization of right of use asset	93,328	-
Debt forgiveness of Payroll Protection Program loan	-	(221,050)
Non cash interest expense on Payroll Protection Program loan	-	1,175
Deferred tax benefit	(1,011,466)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,277)	(81,102)
(Increase) decrease in prepaid expenses	(350,389)	(57,956)
(Increase) decrease in inventories	(78,245)	(350,821)
(Decrease) increase in accounts payable and accrued liabilities	(112,994)	168,456
(Increase) decrease in other current assets	92,002	45,705
(Decrease) increase in lease liability	(91,928)	-
(Increase) decrease in unearned revenue	7,085	(2,059)
Net Cash Provided by Operating Activities	<u>1,341,409</u>	<u>259,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(19,495)</u>	<u>(18,828)</u>
Net Cash (Used) by Investing Activities	(19,495)	(18,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	30,000	15,000
Principal payments on debt	<u>(1,493,327)</u>	<u>(171,437)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,463,327)</u>	<u>(156,437)</u>
 Net increase (decrease) in Cash	 (141,413)	 83,920
Cash at Beginning of Year	584,070	500,150
Cash at End of Year	\$ <u>442,657</u>	\$ <u>584,070</u>

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

PCS EDVENTURES!, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE 1 - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The financial statements presented are those of PCS Edventures!, Inc., an Idaho corporation (“PCS,” “PCSV,” “we,” “our,” “us” or similar words), incorporated in 1994, in the State of Idaho. PCS specializes in experiential, hands-on, K12 education and drone technology. PCS has extensive experience and intellectual property (IP) that includes drone hardware, product designs, and K-12 curriculum content. PCS continually develops new educational products based upon market needs that the Company identifies through its sales and customer networks.

PCS educational and drone products are developed from both in-house efforts and contracted services. They are marketed through reseller channels, direct sales efforts, partner networks, and web-based strategies.

PCS has developed and sells a variety of STEM education products into the K12 market which can be categorized as follows:

1. **Enrichment Programs** – These camps are for the informal learning market and are designed to be highly engaging for students while easily administered by the instructor. The Company offers approximately 30 different enrichment programs and typically develops at least two new programs each year. Some of the more popular programs include *Ready, Set, Drone!*; *Drone Designers*; *Traveling Artist*; *Unleash Your Wild Side*, *Build a Better World*; *Claymation*; *Oceanic Exploration*; *Pirate*; and *Flight and Aerodynamics*.
2. **Discover Series Products** – These products are designed for the makerspace environment and include engaging STEM activities that motivate students to pursue educational pathways toward STEM careers. The Discover Series includes *Discover Engineering*; *Discover Robotics & Physics*; *Discover Robotics & Programming*; and *Discover STEM*.
3. **BrickLAB Products** – These products are designed for the grade school market and use the Company’s proprietary bricks and curriculum to engage students to explore, imagine, and create within a STEM education framework. The Company offers a variety of grade-specific BrickLAB products.
4. **Discover Drones, Add-on Drone Packages and Ala Carte Drone Items** – These products are designed around using drones as a platform for STEM education and career exploration. These titles include the *Discover Drones* series of Products; *Discover Drones Indoor Coding Bundle*; *Discover Drones Indoor Racing Add-On*; *Discover Drones Outdoor Practice Add-on*; and all the spare parts and ala carte drone items offered in the Company’s comprehensive drone packages.
5. **STEAMventures BUILD Activity Book** – These series of activity books are designed for the K-3 market and ideal for a distance-learning environment. The series includes twelve (12) different issues. Instructor guides and/or family engagement guides are included. The Company also provides the necessary bricks for the builds in the activity books as a separate, but related product.
6. **Professional Development Training** – The Company offers professional development trainings, for a fee, to educators who are implementing the Company’s products in their classroom.

The Company intends to continue developing STEM education products that address demand from large markets.

Accounting Method

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

Cash and Cash Equivalents

Cash and cash equivalents, totaling \$442,657 and \$584,070 as of March 31, 2023 and 2022, respectively, consist of operating accounts. For purposes of the statements of cash flows, the Company considers all highly-liquid financial instruments with original maturities of three months or less at date of purchase to be cash equivalents.

Use of Estimates

The preparation of these financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) requires Management to make estimates and assumptions that affect the 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. The Company’s significant estimates include reserves related to accounts receivable and inventory, the valuation allowance related to deferred tax assets, the valuation of equity instruments, and debt discounts.

Concentration of Credit Risks

The Company extends credit to customers and is therefore subject to credit risk. Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of Management’s expectations. An allowance for doubtful accounts is recorded to account for potential bad debts. Estimates are used in determining the allowance for doubtful accounts and are based upon an assessment of selected account, historic averages, and as a percentage of remaining accounts receivable by aging category. In determining these percentages, the Company evaluates historical write-offs, and current trends in customer credit quality, as well as changes in credit policies. The Company does not require collateral from its customers. The Company has established an allowance for doubtful accounts of \$18,469 and \$3,438 for the fiscal years ended March 31, 2023 and 2022, respectively.

Inventory

Inventory is composed of items produced in-house, as well as items from outside suppliers. These items include, but are not limited to, Fischertechnik® manipulatives, Brick manipulatives, drone components, digital media equipment, storage units, curriculum, and other miscellaneous items used in our various products. Our inventory is carried at the lower of cost or net realizable value, where cost is computed using the average cost method for each item.

When indicators of inventory impairment exist, the Company measures the carrying value of the inventory against its market value, and if the carrying value exceeds the market value, the inventory value is adjusted down accordingly. For the year ended March 31, 2023, the Company’s gross inventory was \$1,244,216. The Company’s provision for excess and obsolete inventory reserve was \$6,343, resulting in a net inventory of \$1,237,872. For the year ended March 31, 2022, the Company’s inventory was \$1,167,766. The Company’s provision for excess and obsolete inventory reserve was \$8,139, resulting in a net inventory of \$1,159,627.

Property and Equipment

Depreciation on property and equipment is computed using the straight-line method over the estimated useful life of the asset. The Company had fully depreciated property and equipment of \$224,282 and software of \$127,355 prior to March 31, 2018 and had a balance of \$0 as of March 31, 2021. During fiscal year 2022, the Company purchased various warehouse equipment for \$18,828 and recognized \$1,663 in depreciation of that equipment for a total property and equipment of \$17,165 as of March 31, 2022. As of March 31, 2023, Property and Equipment were \$25,156 with \$4,240 in depreciation recognized resulting in a net Property and Equipment of \$20,917.

During fiscal year 2023, the Company purchased various computer equipment for \$13,167 and recognized \$2,550 in depreciation resulting in a net Computer Equipment of \$10,616 as of March 31, 2023.

Software has been fully depreciated as of March 31, 2023 and March 31, 2022.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually, or when events or circumstances arise that indicate the existence of impairment. There was no impairment recorded during the fiscal years ended March 31, 2023 and 2022.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

In November 2015, the Financial Accounting Standards Board issued ASU No. 2015-17, "Income Taxes (Topic 740)-Balance Sheet Classification of Deferred Taxes" (ASU 2015-17), which requires reporting the net amount of deferred tax assets and liabilities as a single noncurrent item on the classified balance sheet. Before this change, the net amounts of current and noncurrent deferred tax assets and liabilities were reported separately.

We account for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). ASC 740 prescribes the use of the asset and liability method to compute the differences between the tax bases of assets and liabilities and the related financial amounts, using currently enacted tax laws. If necessary, a valuation allowance is established, based on the weight of available evidence, to reduce deferred tax assets to the amount that is more likely than not to be realized. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of sufficient future taxable income. We exercise significant judgment in determining our provisions for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to utilize any future tax benefit from our deferred tax assets.

In accordance with GAAP, the Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns for the open tax years in such jurisdictions. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon audit. Therefore, the Company has no significant reserves for uncertain tax positions, and no adjustment to such reserves was required by GAAP. No interest or penalties have been levied against the Company and none are anticipated, therefore no interest or penalty has been included in the provision for income taxes in the consolidated statements of operations. The Internal Revenue Code contains provisions which reduce or limit the availability and utilization of net operating loss (NOL) carry forwards in the event of a more than 50% change in ownership. If such an ownership change occurs with the Company, the use of these net operating losses could be limited. The following table details the years that remain open to tax examinations:

Tax Year	Fiscal Year End	Filed Date	Open Through
2021	3/31/2022	2/3/2023	2/3/2026
2020	3/31/2021	1/18/2022	1/18/2025
2019	3/31/2020	1/28/2021	1/28/2024

Revenue Recognition

The Company accounts for revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, which we adopted on April 1, 2018. Revenue amounts presented in our financial statements are recognized net of sales tax, value-added taxes, and other taxes. Amounts received as prepayment on future products or services are recorded as unearned revenues and recognized as income when the product is shipped, or service performed.

The Company had deferred revenue of \$7,085 for the fiscal year ending March 31, 2023 related to contractual commitments with customers where the performance obligation will be satisfied within the following fiscal year ending March 31, 2024. The revenue associated with these performance obligations is recognized as the obligation is satisfied. The Company had no deferred revenue as of March 31, 2022.

Most of our contracts with customers contain transaction prices with fixed consideration; however, some contracts may contain variable consideration in the form of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and other similar items. When a contract includes variable consideration, we evaluate the estimate of variable consideration to determine whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. This can result in recognition of revenue over time as we perform services or at a point in time when the deliverable is transferred to the customer, depending on an evaluation of the criteria for over time recognition in FASB ASC 606. For certain fixed-fee per transaction contracts, such as delivering training courses or conducting workshops, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

Stock-Based Compensation

We recognize stock-based compensation expense under the provisions of ASC 718, Compensation —Stock Compensation (“ASC 718”). We use the Black-Scholes option pricing model to calculate the fair value of stock options at their respective grant date. The use of option valuation models requires the input of highly subjective assumptions, including the expected stock price volatility and the expected term of the option. The fair value of restricted stock awards is the fair market value on the date of grant. We recognize these compensation costs on a straight-line basis over the requisite service period, which is generally the vesting period of the award.

During fiscal year 2023, two sets of performance options were exercised. Mike Bledsoe, President, exercised 1,000,000 options at 2.5 cents per share. Michelle Fisher, Director of STEM Curriculum, exercised 250,000 options at 2 cents per share. As of March 31, 2023, the Company had no outstanding warrants or options.

Business Segments and Related Information

GAAP establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires enterprises to report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosure about products and services, geographic areas and major customers. The Company currently operates in one business segment.

Net Earnings (Loss) Per Share of Common Stock

The Company calculates net income (loss) per share in accordance with ASC 260, Earnings Per Share (“ASC 260”). Under ASC 260, basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The weighted average number of shares of common stock outstanding includes vested restricted stock awards. Diluted net income (loss) per share (“EPS”) reflects the potential dilution that could occur assuming exercise of all dilutive unexercised stock options and warrants. The dilutive effect of these instruments was determined using the treasury stock method. Under the treasury stock method, the proceeds received from the exercise of stock options and restricted stock awards, the amount of compensation cost for future service not yet recognized by the Company and the amount of tax benefits that would be recorded as income tax expense when the stock options become deductible for income tax purposes are all assumed to be used to repurchase shares of the Company’s common stock.

Common stock outstanding reflected in the Company's balance sheets includes restricted stock awards outstanding. Securities that may participate in undistributed net income with common stock are considered participating securities. The following schedule presents the calculation of basic and diluted net income per share:

	<u>For the Year Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Net Income per common share		
Basic	\$0.02	\$0.01
Diluted	\$0.02	\$0.01
Weighted average number of common shares outstanding Basic	125,109,876	123,967,411
Weighted average number of common shares outstanding Fully Diluted	125,109,876	124,532,253

Net income for the years ended March 31, 2023 and 2022 was \$2,776,176 and \$729,335, respectively.

As of March 31, 2023, the Company had no dilutive instruments outstanding. As of March 31, 2022, the Company had options totaling 1,250,000 shares included in the dilutive share calculation.

NOTE 2 – BUSINESS CONDITION

Although the Company has recorded an accumulated deficit of (\$37,355,830), for the last five fiscal years including the most recent one ending March 31, 2023, the Company generated cumulative income before tax benefits of \$4,270,572. The Company was profitable in four out of five of those fiscal years, with the lone loss occurring at the height of the coronavirus pandemic and school closures in fiscal year 2021 when the Company reported a loss of (\$115,763).

The Company reported income before tax benefits of \$1,764,710 on sales of \$7,004,575 for its fiscal year ending March 31, 2023, both Company records. The Company retired all its debt during fiscal year 2023. The Company has a line of credit with its primary bank for \$300,000 that was paid in full as of March 31, 2023. This line of credit facility expires on November 10, 2023. As of March 31, 2023, stockholders' equity was \$3,279,562, while the Company had \$436,995 in liabilities and \$442,657 in cash.

The Company has a large tax-loss carry-forward asset that it has been valuing at zero on its financial statements. Given the Company's history of losses prior to 2018, prudence dictated that there was substantial doubt as to whether the Company could realize the value of this asset. Thus, even after the Company demonstrated profitability in fiscal year 2019, and again in 2020, there was still enough doubt about the sustainability of this performance to continue valuing the asset at zero on the Company's financial statements. Although the Company's loss in fiscal year 2021 can be attributed to the pandemic environment, it still had the effect on enforcing the doubt about the sustainability of the Company's future profitability.

The Company is now two full years into the post-pandemic world. The Company reported a record year for fiscal year 2023, after a profitable fiscal year 2022, and its outlook is for continued profitability in its fiscal year 2024. The Company's recent success, coupled with the Company's established history of significant aggregate profitability for the past 5 years, accomplished under the supervision of different Management than the team that oversaw the period prior to fiscal year 2019, compelled Management, in consultation with Company tax advisors and auditors, to recognize a portion of the tax-loss carry-forward asset on the Company's financial statements. The value of this recognition is \$1,011,466 which represents the portion of the total tax-loss carry-forward amount that Management feels confident in realizing. For the fiscal year ended March 31, 2023, the Company reported net income of \$2,776,176 which includes the recognition of the tax-deferred asset.

On October 3, 2022, the Company announced a contract award from the United States Air Force Junior Reserve Officers' Training Corps. This contract contemplates a five-year term, with each year subject to renewal by the Air Force. To date, the Air Force has placed two orders under the terms of the first year of the contract. On February 23, 2023, the Air Force notified the Company of its intent to exercise its option for the second year of the contract, with the explicit statement that the notice is preliminary and does not commit the Air Force to the extension. As of March 31, 2023, the Air Force had placed orders totaling \$2,655,336.

On January 11, 2023, the Company announced that it would be partnering with the Iowa Governor’s STEM advisory Council to provide the Company’s *Discover Drones* program to middle and high school students for the 2023-2024 school year via Iowa’s Scale-Up Program. This is the second year in a row that the Company has been awarded this partnership. The Iowa legislature must approve the funding for the Scale-Up Program before this business is official. However, they have always approved the funding, Scale-Up awardees have already been notified, and the Company is preparing for the two-day trainings that will be conducted in Iowa in July and August of 2023.

Management contemplates corporate decisions in a long-term context. Corporate efforts to secure larger customer relationships have been successful. The Company has a healthy financial position and its business outlook for fiscal year 2024 is bright. Management strongly believes that the Company will be able to operate as a going concern over the next year from the date of this report.

NOTE 3 – ACCOUNTS RECEIVABLE

In the Company’s normal course of business, the Company provides credit terms to its customers, which generally range from net 15 to 45 days. The Company performs ongoing credit evaluations of its customers. During fiscal year 2022, the Company had two customers – A and B below – who exceeded 10% of Company revenue. Neither of those customers represented over 10% of Company sales in fiscal year 2023. Only one customer – Customer C – represented over 10% of Company sales in fiscal year 2023.

	2023 % of Revenue	3/31/2023 % of A/R	2022 % of Revenue	3/31/2022 % of A/R
Customer A	4%	10%	12%	8%
Customer B	7%	45%	22%	0%
Customer C	38%	0%	0%	0%

NOTE 4 - PREPAID EXPENSES

Prepaid expenses consisted of the following for the fiscal years ended March 31, 2023 and 2022:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Prepaid insurance	\$ 8,891	\$ 5,571
Prepaid tradeshows	34,316	3,498
Prepaid inventory	374,926	49,082
Prepaid software	16,287	15,138
Other prepaid expenses	1,698	12,439
Total Prepaid Expenses	<u>\$ 436,118</u>	<u>\$ 85,728</u>

NOTE 5 - COMMON AND PREFERRED STOCK TRANSACTIONS

a. Common Stock

The Company has 150,000,000 authorized shares of common stock. As of March 31, 2023, shares outstanding were 125,732,479. As of March 31, 2022, shares outstanding were 124,482,479.

During the fiscal years ending March 31, 2023 and 2022, the Company expensed amounts related to stock options granted of \$15,990 and \$25,839 respectively.

During the fiscal year ended March 31, 2023, the Company issued 1,250,000 shares of “restricted” Rule 144 common stock related to the exercise of employee performance options. During the fiscal year ended March 31, 2022, the Company issued 1,000,000 shares of “restricted” Rule 144 common stock related to the exercise of warrants attached to a promissory note.

b. Preferred Stock

The Company has 20,000,000 authorized shares of preferred stock. As of March 31, 2023 and 2022, there were no preferred shares issued or outstanding.

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of March 31, 2023 and 2022

	2023	March 31, 2022
Notes payable, related party	-	1,493,327
Total Notes Payable	\$ -	\$ 1,493,327

Note Payable – Related Party

From April 1, 2013 to March 31, 2017, the Company executed related party promissory notes with the Chairman and CEO for \$1,292,679, \$175,000, and \$340,000 paid down to a principal balance of \$220,648, with interest of 10% per annum. All of these notes were in default by April 30, 2016. All accrued interest as of December 31, 2018 was converted to shares of “restricted” Rule 144 common stock with a per share value of \$0.02 to \$0.04. Monthly interest payments have been made in cash starting in January of 2019. On April 19, 2019, these notes were consolidated to one promissory note for \$1,688,327, with interest of 10% per annum, and extending the due date to April 20, 2020. The note was subsequently amended, extending the due date to May 1, 2021. The note was subsequently amended to extend the due date to May 1, 2022. The note was subsequently amended to extend the due date to May 1, 2023. Total interest accrued and paid in the fiscal year ending March 31, 2022 totaled \$143,938. The principal balance as of March 31, 2022 was \$1,443,327 with \$11,863 interest accrued. No principal payments were made during fiscal year 2022. During fiscal year 2023, this note was paid off in full.

On February 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with a member of the Executive Management Team and Board of Directors, for \$50,000 at 20% interest per annum, due April 30, 2017. The note’s principal balance of \$50,000, and accrued interest of \$23,342 as of May 31, 2019 was amended on June 1, 2019. The promissory note June 1, 2019 amendment reduced the interest rate to 10% per annum, but to accrue interest on both the \$50,000 principal balance and the \$23,342 accrued interest and extended the due date to May 31, 2020. The promissory note was subsequently amended on June 1, 2020, with a principal balance of \$50,000 and accrued interest of \$30,697. As of March 31, 2022, total interest accrued was \$43,928. This promissory note due date was subsequently amended to a new due date of May 31, 2023 with all other terms and conditions remaining the same. During fiscal year 2023, this note was paid off in full.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases

The Company adopted ASC 842 as of November 9, 2019 using a modified retrospective transition approach for all leases existing at December 31, 2019, the date of the initial application. Consequently, financial information will not be updated, and disclosures required under ASC 842 will not be provided for dates and periods before January 1, 2020.

As of March 31, 2023, the Company recognized operating lease liabilities of \$175,752 based on the present value of the remaining minimum rental payments determined under prior lease accounting standards and corresponding Right of Use Assets (ROU) of \$173,353.

The Company determines if a contract is a lease or contains a lease at inception. Right of use assets related to operating type leases are reported in other noncurrent assets and the present value of remaining lease obligations is reported in accrued

and other liabilities and other noncurrent liabilities on the Balance Sheets. The Company does not currently have any financing type leases.

Operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Company's leases do not provide an implicit rate. The Company determines the incremental borrowing rates applicable to the economic environment based on the information available at commencement date, in determining the present value of future payments. The right of use asset for operating leases is measured using the lease liability adjusted for the impact of lease payments made prior to commencement, lease incentives received, initial direct costs incurred and any asset impairments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company re-measures and reallocates the consideration in a lease when there is a modification of the lease that is not accounted for as a separate contract. The lease liability is re-measured when there is a change in the lease term or a change in the assessment of whether the Company will exercise a lease option. The Company assesses right of use assets for impairment in accordance with its long-lived asset impairment policy.

The Company accounts for lease agreements with contractually required lease and non-lease components on a combined basis. Lease payments made for cancellable leases, variable amounts that are not based on an observable index and lease agreements with an original duration of less than twelve months are recorded directly to lease expense.

a. Office and Warehouse

The Company leases one building containing its main office and warehouse space under a non-cancelable lease agreement, which commenced on March 2, 2016, accounted for as an operating lease expiring March 14, 2020. On March 3, 2020, a third amendment extended the lease for 19.5 months, expiring October 31, 2021 at \$0.60 a square foot. On September 16, 2021, the Company signed a fourth amendment to the lease with a monthly rental amount starting at \$6,800 and escalating by \$200 per month at the end of each lease year, which is due to expire on October 31, 2024. Building lease expense was \$106,462 and \$98,602 for the fiscal years ended March 31, 2023, and 2022, respectively.

b. Equipment

The Company leased one production printer on November 12, 2015 for a term of 60 months, with a purchase option of fair market value, expiring December 2020. The Company leased a replacement production printer for 60 months commencing on January 14, 2020. Equipment lease expense was \$31,896 for the fiscal years ended March 31, 2023 and 2022.

As of March 31, 2023, accounted for and presented under ASC 842 guidance, the future minimum lease payments on operating leases, were as follows:

Total minimum lease obligation over the next 5 years		
<u>Fiscal Year</u>	<u>Amount</u>	
2024	\$	103,026
2025		70,327
2026		-
2027		-
Total	\$	173,353

Balance Sheet Location		March 31, 2023
Right of use assets	Other noncurrent assets	\$173,353
Lease payable	Current liabilities	\$103,026
Lease payable	Long-term liabilities	\$72,726
Total lease payable		\$175,752

Supplemental cash flow information related to operating leases:

	<u>March 31, 2023</u>
Operating cash paid to settle lease liabilities	\$114,496
Right of use asset additions in exchange for lease liabilities	-

	<u>March 31, 2023</u>
Weighted average remaining lease term (in years)	1.46
Weighted average discount rate	10%

NOTE 8 – PAYROLL LIABILITIES & ACCRUED EXPENSES

Accrued expenses are made up of the following as of March 31, 2023 and 2022.

	March 31,	
	<u>2023</u>	<u>2022</u>
Payroll liabilities	\$ 201,724	\$ 226,237
Interest payable	-	43,928
Sales tax payable	3,399	6,672
State tax payable	21,108	-
Total accrued expenses	<u>\$ 226,231</u>	<u>\$ 276,837</u>

NOTE 9 – INCOME TAXES

Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to examination by tax authorities in the ordinary course of business. We periodically assess the likelihood of adverse outcomes resulting from these examinations to determine the impact on our deferred taxes and income

tax liabilities and the adequacy of our provision for income taxes. Changes in income tax legislation, statutory income tax rates or future taxable income levels, among other things, could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods.

Net deferred tax assets and liabilities consist of the following components as of March 31, 2023 and 2022:

	March 31,	
	2023	2022
Deferred tax assets		
Right of use liabilities	48,539	74,950
Goodwill amortization	15,041	16,961
Charitable Contribution carryover	19	-
NOL carryover	3,255,242	3,803,535
Total deferred tax assets	3,318,841	3,895,447
Deferred tax liabilities		
Right of use assets	(48,539)	(74,950)
Depreciation	(5,101)	(4,806)
Total deferred tax liabilities	(53,640)	(79,757)
Net deferred tax assets	3,265,201	3,815,690
Less valuation allowance	(2,253,735)	(3,815,690)
Net deferred tax assets	1,011,466	-

The reconciliation of the Company's net income taxes for fiscal 2023 and 2022 are as follows:

	March 31,	March 31,
	2023	2022
U.S. Federal income tax at statutory rate	\$ 376,732	\$ 147,723
Non-taxable income	-	(54,659)
State taxes, net of Federal benefit	127,569	49,241
Non-taxable income	(4,200)	-
Change in valuation allowance	(1,511,567)	(142,305)
Income Tax Benefit	(1,011,466)	-

The Company files income tax returns in the United States, the State of Idaho and the State of California. The statute of limitations on a Federal tax return is the due date of the tax return plus three years. In the case of NOLs, the year in which the NOL was generated remains open up to the amount of the NOL until the statute of limitations expires on the year it was used. All required tax returns of the Company due since inception have been filed.

Summary of Federal Operating Loss Carryforwards

Unused operating loss carryforward March 31, 2022	\$13,926,426
Operating loss carryforwards realized	\$1,815,072
Expiration of operating loss carryforward	-
Unused operating loss carryforward March 31, 2023	\$12,111,354

NOTE 10 - DILUTIVE INSTRUMENTS

Stock Options and Warrants

The following table summarizes option / warrant activity during the year ended March 31, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value at Issuance	Weighted Average Remaining Contract Life	Intrinsic Value
Outstanding at March 31, 2022	1,250,000	\$0.024	\$0.024	0.51	\$21,250
Granted	-	0.025	-	-	-
Expired	-	0.025	-	-	-
Exercised	1,250,000	-	-	-	-
Outstanding at March 31, 2023	-	-	-	-	-
Exercisable at March 31, 2023	-	-	-	-	-

During fiscal year 2023, 1,250,000 employee performance options were exercised. There were no options or warrants outstanding as of March 31, 2023.

NOTE 11 - RELATED PARTY TRANSACTIONS

On August 21, 2018, the Company granted 1,000,000 stock options to our President, Michael J. Bledsoe. The expected volatility rate of 254.03% was calculated using the Company's stock price over the period beginning August 21, 2018, through date of issue. A risk-free interest rate of 0.27% was used to value the options. The options were valued using the Black-Scholes valuation model. The options vested immediately and were exercisable at \$0.025 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The maturity date was August 21, 2021. The entire value of the options were expensed at time of grant as they vested immediately. On August 21, 2021, the options expired and the Company issued 1,000,000 new options with a one year maturity and a strike price of \$0.025 accounted for as a modification. These options were exercised on August 18, 2022.

From April 1, 2013 to March 31, 2017, the Company executed related party promissory notes with the Chairman and CEO for \$1,292,679, \$175,000, \$340,000 paid down to a principal balance of \$220,648, with interest of 10% per annum. Monthly interest payments have been made in cash starting in January of 2019. On April 19, 2019, these notes were consolidated to one promissory note for \$1,688,327, with interest of 10% per annum, and extending the due date to April 20, 2020. Total interest accrued and paid in the fiscal year ending March 31, 2020 totaled \$142,210. Principal payments were made totaling \$245,000 for an ending principal balance at March 31, 2020 of \$1,443,327. The note was subsequently amended with a maturity date of May 1, 2021, with all other terms and conditions remaining the same. No principal payments were made on this note in fiscal year 2021, leaving a principal balance as of March 31, 2021 of \$1,443,327. This promissory note due date was subsequently amended to a new due date of May 1, 2022, with all other terms and conditions remaining the same. No principal payments were made on this note during fiscal year 2022, leaving a principal balance as of March 31, 2022 of \$1,443,327. During fiscal year 2023, this promissory note was paid in full.

On February 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with a member of the Executive Management Team and Board of Directors, for \$50,000 at 20% interest per annum, due April 30, 2017. The note's principal balance of \$50,000, and accrued interest of \$23,342 as of May 31, 2019 was amended on June 1, 2019. The promissory note June 1, 2019 amendment reduced the interest rate to 10% per annum, but to accrue interest on both the \$50,000 principal balance and the \$23,342 accrued interest and extended the due date to May 31, 2020. This promissory note due date was subsequently amended to a new due date of May 31, 2021. As of March 31, 2021, the principal balance on this note was \$50,000 and the accrued interest was \$36,805. This promissory note due date was subsequently amended to a new due date of May 1, 2022, with all other terms and conditions remaining the same. During fiscal year 2023, this promissory note was paid in full.

NOTE 12- SUBSEQUENT EVENTS

On June 14th, 2023, the Company entered into an agreement to purchase 998,985 shares of its common stock, 120,000 of these shares being "restricted" Rule 144 common stock, at a price per share of \$0.05, for a total amount of \$49,949 from a shareholder who solicited the Company with the offer. The transaction has not been finalized as of the date of this report. The Company intends to retire the stock once the transaction is completed.

The Company opened a money market account with Vanguard to invest surplus cash. The account was funded with \$500,000 on June 27, 2023. At the time of funding the account, the money market fund had a 7-day SEC yield of 5.04% and an expense ratio of 0.11%.