

NORTHSTAR ELECTRONICS INC
Form 10-Q
November 20, 2017

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended: **September 30, 2017**

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

For the transition period from: _____ to _____

333-90031

Commission file number

Northstar Electronics, Inc.

Exact name of small business issuer as specified in its charter

Delaware

State or other jurisdiction of organization

#33-0803434

IRS Employee incorporation or Identification No.

1130 West Pender Street, Suite 950

Vancouver, BC, Canada V6E 4A4

Address of principal executive offices

(778) 838-3313

Issuer's telephone number

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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** **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer **Non-accelerated filer**

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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **Common shares as of October 30, 2017: 93,924,815**

Transitional Small Business Disclosure Format (check one): Yes No

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PART I - FINANCIAL INFORMATION**Item 1. Interim Consolidated Financial Statements****NORTHSTAR ELECTRONICS, INC.****Consolidated Balance Sheets**

U.S. Dollars

	September 30	December 31
	2017	2016
	unaudited	audited
Assets		
Current		
Cash and cash equivalents	\$ 1,604	\$ 6,078
Prepaid expenses	3,792	7,292
	\$ 5,396	\$ 13,370
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 868,845	\$ 806,445
Loans payable	434,291	434,291
Due to director	395,841	314,550
Legal liability	2,992,751	2,706,869
	4,691,728	4,262,155
Stockholders Deficit		
Authorized:		
200,000,000 Common shares with a par value of \$0.0001 each		
20,000,000 Preferred shares with a par value of \$0.0001 each		
Issued and outstanding:		
93,924,815 Common shares (86,887,609 - December 31, 2016)	9,343	8,639

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597,716 Preferred shares (629,626 - December 31, 2016)	404,299	436,209
Additional paid-in capital	8,282,943	8,194,737
Accumulated deficit	(13,382,917)	(12,888,370)
	(4,686,332)	(4,248,785)
	\$ 5,396	\$ 13,370

Nature of operations and going concern (Note 1)

See notes to the interim consolidated financial statements

NORTHSTAR ELECTRONICS, INC.**Consolidated Statements of Operations****Three and Nine Months Ended September 30, 2017 and 2016****Unaudited****U.S. Dollars**

	Three Months		Nine Months	
	2017	2016	2017	2016
EXPENSES				
Management	30,000	30,000	75,000	55,000
Administration	15,000	15,000	45,000	27,500
Professional fees	(3,500)	-	26,650	13,500
Foreign exchange	192,467	57	209,647	357
Engineering research and development	-	36,000	15,000	120,000
Investor relations	(1,600)	925	24,725	2,975
Marketing and sales	-	18,000	-	60,000
Office and administration	8,138	17,626	20,910	28,805
Interest expense	34,895	-	77,615	4,364
Total expenses	275,400	117,608	494,547	312,501
Net loss for the period	\$ (275,400)	\$ (117,608)	\$ (494,547)	\$ (312,501)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding	93,924,815	85,319,142	91,756,091	81,659,308

See notes to the interim consolidated financial statements

NORTHSTAR ELECTRONICS, INC.**Interim Consolidated Statement of Changes in Stockholders Equity****Nine Months Ended September 30, 2017****Unaudited****U.S. Dollars**

			Additional			Total	
	Number of	Par	Paid-In	Accumulated	Preferred	Stockholders	
	Shares	Value	Capital	Deficit	Shares	Deficit	
Balance, December 31, 2015	79,396,847	\$ 7,940	\$ 8,105,572	\$ (12,325,082)	456,209	\$ (3,755,361)	
Issuance for cash	3,526,675	402	15,050	-	-	15,452	
Issuance on conversion of preferred C shares	1,747,435	125	19,875	-	(20,000)	-	
Issuance for debt	181,833	18	4,346	-	-	4,364	
Issuance for goodwill	1,400,000	140	27,860	(28,000)	-	-	
Net loss	-	-	-	(312,501)	-	(312,501)	
Balance, September 30, 2016	86,252,790	8,625	8,172,703	(12,665,583)	436,209	(4,048,046)	
Issuance for cash	634,819	14	22,034	-	-	22,048	
Net loss	-	-	-	(222,787)	-	(222,787)	
Balance, December 31, 2016	86,887,609	8,639	8,194,737	(12,888,370)	436,209	(4,248,785)	
Issuance for cash	2,500,000	250	24,750	-	-	25,000	
Issuance on conversion of preferred B shares	2,037,206	204	31,706	-	(31,910)	-	
Issued for cash	750,000	75	7,425	-	-	7,500	
Issued for services	1,750,000	175	19,325	-	-	19,500	
Fair value of warrants issued for services	-	-	5,000	-	-	5,000	
Net loss	-	-	-	(494,547)	-	(494,547)	
Balance, September 30, 2017	93,924,815	\$ 9,343	\$ 8,282,943	\$ (13,382,917)	404,299	\$ (4,686,332)	

See notes to the interim consolidated financial statements

NORTHSTAR ELECTRONICS, INC.**Consolidated Statements of Cash Flows****Nine Months Ended September 30, 2017 and 2016****Unaudited****U.S. Dollars**

	2017	2016
Operating Activities		
Net loss	\$ (494,547)	\$ (312,501)
Items not involving cash		
Equity based compensation	-	55,000
Foreign exchange loss	208,267	-
Non-cash interest	77,615	4,364
Non-cash investor relations	24,500	-
Changes in non-cash working capital		
Changes in operating assets and liabilities	147,190	207,502
Net cash used in operating activities	(36,975)	(45,635)
Financing Activities		
Issuance of common shares for cash (net of costs)	32,500	62,500
Loans payable	-	(20,000)
Increases in debt (repayment to) directors	-	(6,652)
Net cash provided by financing activities	32,500	35,848
Increase (decrease) in cash	4,475	(9,787)
Cash, beginning	6,078	23,752
Cash, ending	\$ 1,604	\$ 13,965
Non-cash Transactions		
Shares issued for services	\$ 19,500	\$ -
Warrants issued for services	5,000	-
	\$ 24,500	\$ -

See notes to the unaudited interim consolidated financial statements

NORTHSTAR ELECTRONICS, INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended September 30, 2017

Unaudited

U.S. Dollars

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Northstar Electronics, Inc. (the Company) was incorporated on May 11, 1998 in the state of Delaware. The Company is doing research and development on single engine aircrafts for business use.

The Company's business activities are conducted in Canada. However, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) with all figures translated into United States dollars for financial reporting purposes.

These unaudited consolidated interim financial statements have been prepared by management in accordance with GAAP for interim financial information, are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's audited consolidated financial statements filed as part of the Company's December 31, 2016 Form 10-K.

The results of operations for the nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the entire fiscal year. The accompanying interim consolidated financial statements have been prepared assuming the Company will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the nine months to September 30, 2017 the Company incurred a net loss of \$494,547 and at September 30, 2017 had a working capital deficiency of \$4,686,332.

Management has undertaken initiatives for the Company to continue as a going concern; for example: the Company is attempting to secure an equity financing in the short term. Management is unable to predict the results of its initiatives at this time. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

Should management be unsuccessful in its initiative to finance its operations, the Company's ability to continue as a going concern is not certain. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

2. SHARE CAPITAL

COMMON STOCK

During the nine months ended September 30, 2017, the Company issued 2,500,000 shares of common stock for cash of \$25,000.

During the nine months ended September 30, 2017, the Company issued 750,000 shares of common stock for cash of \$7,500. Each common stock is attached with a warrant with an exercise price of \$0.04 per common stock for a period of two years. No value was attributed to these warrants.

During the nine months ended September 30, 2017, the Company issued 2,037,206 shares of common stock for conversion of 31,910 preferred class B shares.

During the nine months ended September 30, 2017 the Company issued 1,750,000 shares of common stock with a fair value of \$19,500 for consulting services. Of the 1,750,000 common shares, 550,000 common shares have warrants attached to them. Each common stock is attached with a warrant with an exercise price of \$0.04 per common stock for a period of two years. The fair value of the warrants was determined to be \$5,000 using the Black-Scholes Pricing Model with the following assumptions: dividend yield - 0%, volatility - 282%, risk-free rate - 1%, and expected life - 2 years.

PREFERRED SHARES

At September 30, 2017, the outstanding number of preferred Classes A, B and C shares are 582,716 (December 31, 2016: 582,716), 15,000 (December 31, 2016: 46,910) and nil (December 31, 2016: nil), respectively

WARRANTS

	Number of	Exercise Price
	Warrants	per Share
Balance December 31, 2016	829,940	\$0.15 - \$0.75
Issued	1,300,000	\$0.04

3. LEGAL LIABILITY

During 2000 to 2008, the Company's former subsidiaries North Star Technical Inc. (NTI) and Northstar Network Ltd. (NNL) received funding from Atlantic Canada Opportunities Agency (ACOA) to fund their projects. In accordance with agreements signed between NTI, NNL and the Company, the Company was jointly and severally liable for the obligations. In 2013, ACOA filed claims against NTI, NNL and the Company for repayments of advances due to events of default. The advance and interests ACOA claims totaled CAD\$3,732,200 (\$2,992,751). Further, the claim amount bears a daily interest of CAD\$358 from February 15, 2013 to settlement. During the nine months ended September 30, 2017, the Company recorded interest expenses of \$77,615.

4. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2017, the Company accrued management fees payable of \$45,000 in total to a director of the company.

At September 30, 2017, there is a balance of \$395,841 (December 31, 2016: \$314,550) owing to a director of the Company for management fees and expenses reimbursement. The balance is included in accounts payable and accrued liabilities.

5. NEW ACCOUNTING PRONOUNCEMENTS

Management does not believe that any recently issued but not yet effective accounting pronouncements if currently adopted would have a material effect on the accompanying consolidated financial statements.

6. SUBSEQUENT EVENT

There were no material events outside of the normal course of business.

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

The following discussion should be read in conjunction with the accompanying unaudited consolidated financial information for the three and nine month periods ended September 30, 2017 and September 30, 2016 prepared by management and the audited consolidated financial statements for the twelve months ended December 31, 2016 as presented in the Company's Form 10K and amendments as filed.

Special Note Regarding Forward Looking Statements

Certain statements in this report and elsewhere (such as in other filings by the Company with the Securities and Exchange Commission ("SEC"), press releases, presentations by the Company of its management and oral statements) may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and "should," and variations of these words and similar expressions, are intended to identify these forward-looking statements. Actual results may materially differ from any forward-looking statements. Factors that might cause or contribute to such differences include, among others, competitive pressures and constantly changing technology and market acceptance of the Company's products and services. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Company's Services

We are now moving in a new direction whereby we intend to build our own systems in the civilian aviation sector. We believe that this affords improved control over the business outcomes compared to the contract manufacturing business.

The Company is working to purchase worldwide rights to a single engine Turbo Prop airplane with industrial applications from a subsidiary of a large international aerospace company. If successful, we intend to manufacture the airplanes and market them internationally and provide Maintenance, Repair and Overhaul (MRO) services in close proximity to customers. The main applications are Agricultural, Rapid Response Forest Fire Fighting and, most recently, Cloud Seeding. The Company's wholly owned subsidiary, National Five Holding Ltd, is a 60% shareholder of Northstar Sealand Enterprises Ltd (NSEL). The constituent parts of NSEL have experience in working on certified commercial aircraft and government military contracts, and have access to an established aircraft parts manufacturing facility.

Results of Operations

Comparison of the three and nine months ended September 30, 2017 with the three and nine months ended September 30, 2016:

Gross revenues from all sources for the three month period ended September 30, 2017 were \$0 compared to \$0 in the comparative prior three month period. Gross revenues from all sources for the nine month period ended September 30, 2017 were \$0 compared to \$0 in the comparative prior nine month period. In prior years the Company earned modest consulting fees as the Company continued to reorganize its business.

The net loss for the three month period ended September 30, 2017 was \$(275,400) compared to a net loss of \$(117,608) for the three months ended September 30, 2016. The decrease in net loss was in part due to the fact the Company temporarily reduced office and administration expenses as well as engineering and marketing expenses. The effects on our operations were minimal and we were able to make meaningful advances in our efforts to purchase the rights to the airplane.

Comparison of Financial Position at September 30, 2017 with December 31, 2016

The Company's working capital deficiency increased at September 30, 2017 to \$1,687,681 with current liabilities of \$4,791,728 which are in excess of current assets of \$5,396. At December 31, 2016 the Company had a working capital deficiency of \$4,686,332. See also contingent liabilities, note 3 to the financial statements for the nine months ended September 30, 2017.

Critical Accounting Policies and Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the footnotes to our annual financial statements at December 31, 2016. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Although these estimates are based on our knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Certain accounting policies involve significant judgments and assumptions by us and have a material impact on our financial condition and results. Management believes its critical accounting policies reflect its most significant estimates and assumptions used in the presentation of our financial statements. Our critical accounting policies include revenue recognition, accounting for stock based compensation and the evaluation of the recoverability of long-lived and intangible assets. We do not have off-balance sheet arrangements, financings or other relationships with unconsolidated entities or other persons, also known as special purpose entities .

Liquidity and Capital Resources

Cash outflow for the nine months ended September 30, 2017 was \$(36,975) compared to an outflow of cash of \$(45,635) in the comparative prior nine months ended September 30, 2016. During the current period, the Company received \$32,500 (\$42,500 in the comparative prior period) from equity funding leaving cash on hand at September 30, 2017 of \$1,603 compared to cash on hand of \$6,078 at December 31, 2016. Until the Company receives revenues from new contracts it will be dependent upon equity and loan financings to compensate for the outflow of cash

anticipated from operations.

At this time, no commitment for funding has been made to the Company.

The Company's continued operations are dependent upon obtaining revenues from outside sources or raising additional funds through debt or equity financing.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Based on the evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of the date of this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer has concluded that our disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner. The disclosure controls were effective at September 30, 2016.

(b) Changes in internal controls

There were no changes in our internal controls or in other factors that could affect these controls subsequent to the date of their most recent evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

No change since previous filing.

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

Options Granted: Nil

Warrants Issued: 1,300,000

Common Stock Issued:

During the nine months ended September 30, 2017, the following shares of common stock were issued:

-

the Company issued 2,500,000 shares of common stock for cash of \$25,000.

-

the Company issued 750,000 common stock for cash of \$7,500. Each common stock is attached with a warrant with an exercise price of \$0.04 per common stock for a period of two years. No value was attributed to these warrants.

-

the Company issued 2,037,206 shares of common stock for conversion of 31,910 preferred class B shares.

-

the Company issued 1,750,000 shares of common stock with a fair value of \$19,500 for consulting services. Of the 1,750,000 common shares, 550,000 common shares have warrants attached to them. Each common stock is attached with a warrant with an exercise price of \$0.04 per common stock for a period of two years. The fair value of the warrants was determined to be \$5,000 using the Black-Scholes Pricing Model with the following assumptions: dividend yield - 0%, volatility - 282%, risk-free rate - 1%, and expected life - 2 years.

Preferred Stock Subscribed: Nil

Item 3. Defaults Upon Senior Securities.

No change since previous filing.

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

No change since previous filing.

Item 5. Other Information.

No change since previous filing.

Item 6. Exhibits.

No change since previous filing.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 20, 2017

Northstar Electronics, Inc.

(Registrant)

By: /s/ Wilson Russell

Wilson Russell, PhD, President and Chief Financial
Officer

