

NORTHSTAR ELECTRONICS INC
Form 10-K
April 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2017**

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

For the transition period from **n/a**

Commission file number: **333-90031**

Northstar Electronics, Inc.

Name of small business issuer in its charter

Delaware
State or other jurisdiction of
incorporation or organization

#33-0803434
IRS Employer Identification No.

2020 General Booth Blvd, Unit 230,

Virginia Beach, VA, USA 23451

Address of principal executive offices and Zip Code

Issuer's telephone number **(647-286-4594)**

Securities registered pursuant to section 12(b) of the Act

None

Securities registered pursuant to section 12(g) of the Act

None

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act []

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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) **Yes** [] No (2) **Yes** [] No

Edgar Filing: NORTHSTAR ELECTRONICS INC - Form 10-K

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

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

Large accelerated Filer

Accelerated Filer

Non-accelerated filer

Smaller reporting Company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

State issuer's revenues for its most recent fiscal year: **\$0**

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: **\$1,130,675**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. Outstanding shares of common stock as of April 16, 2018: **98,579,815**

Documents incorporated by reference: **None**

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

INDEX

<u>Risk Factors</u>	1
<u>PART I</u>	1
<u>Item 1. Description of Business</u>	1
<u>Item 2. Description of Properties</u>	4
<u>Item 3. Legal Proceedings</u>	4
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	4
<u>PART II</u>	5
<u>Item 5. Market for Registrant's Common Equity and Related Stockholder Matters</u>	5
<u>Item 6. Management's Discussion and Analysis or Plan of Operation</u>	5
<u>Item 7. Financial Statements</u>	7
<u>Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	8
<u>Item 8A. Controls and Procedures</u>	8
<u>PART III</u>	10
<u>Item 9. Directors, Executive Officers, Promoters and Control Persons</u>	10
<u>Item 10. Executive compensation</u>	10
<u>Item 11. Security Ownership of Certain Beneficial Owners and Management</u>	10
<u>Item 12. Certain Relationships and Related Transactions</u>	10
<u>Item 13. Exhibits and Reports on Form 8-K</u>	10
<u>Item 14. Principal Accountants Fees and Services</u>	10
<u>SIGNATURES</u>	12

Note Regarding Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes forward looking statements. Forward looking statements address our current plans, intentions, beliefs and expectations and are statements of our expected future economic performance. Statements containing terms like will, believes, does not believe, plan, expects, intends, estimates, anticipates, may and other phrases of similar meaning or the negative or other variations of these words or other comparable words or phrases are considered to imply uncertainty and are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements of the Company expressed or implied by such forward looking statements. Such factors include, but are not limited to changes in economic conditions, government regulations, contract requirements and abilities, behavior of existing and new competitor companies and other risks and uncertainties discussed in this annual Form 10-K report.

We cannot guarantee our future results, level of activity, performance or achievements. Neither I nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. We are under no duty

to update any of the forward looking statements after the date of this report.

Risk Factors

Investment in our common stock involves a high degree of risk. Prospective investors should carefully consider the following risk factors in addition to other information in this annual report before purchasing our common stock.

Because we have a net loss from operations of \$639,125 for the year ended December 31, 2017 and have accumulated losses of \$13,527,495 from inception, we face a risk of insolvency and we remain dependent on equity and debt financing to help pay operating costs and to help cover operating losses. Business financing is being pursued.

The Company had previously been dependent on contract manufacturing which did not deliver long term positive financial results, as had been expected. We are, at present, working to develop a business area in the aerospace sector.

Our future is uncertain if we fail to develop this business area. Please also refer to our December 31, 2017 year end audited financial statements and notes thereto.

The auditor's report for our December 31, 2017 consolidated financial statements includes an additional paragraph that identifies conditions which raise doubt about our ability to continue as a going concern. The audited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PART I

Item 1. Description of Business

The business of the Company is primarily that of a holding company with subsidiaries. The Company's wholly owned subsidiary, National Five Holding Ltd, incorporated in British Columbia, Canada, holds a 60 percent share interest in Northstar Sealand Enterprises Ltd (NSEL). NSEL has been incorporated to pursue a manufacturing, marketing, sales and maintenance opportunity in the aviation industry and is in negotiations with a major aviation company.

Corporate History

The Company's wholly owned subsidiary, **Northstar Network Ltd.**, (NNL), had carried out defense, aerospace and homeland security contract manufacturing. NNL has been discontinued due to insufficient working capital, quality issues with suppliers and design changes made by the customer. The lack of capital funding was predominantly responsible for the shutdown of NNL's operations.

Our second wholly owned subsidiary **Northstar Technical Inc., (NTI)**, had been involved in underwater sonar sensors primarily related to the fishing industry. NTI has been discontinued due to several issues in the commercial fishing industry. The time taken for new technology developments using underwater communicating techniques was long. The timeframe for market introduction was also lengthy. Although NTI's sonar system was initially a success in a fast changing industry, NTI could not keep up with the larger competitors' products. The Company did not consummate the signing of a Letter of Intent to acquire a development stage company specializing in advanced sonar technologies and systems.

Homeland Security and Military Defense:

The Company had expected that design and manufacture of homeland security and anti-terrorism systems would have grown rapidly as the United States Department of Homeland Security and the United States Navy had planned to ramp up efforts to protect ports, other onshore high value assets and ships. However, the timing of their actions taken were too late for the Company to adequately participate.

Research and Development:

The Company expended efforts during the year .in developing operational knowledge of the industrial single engine Turbo Prop airplane, conducting research into Supply Chain Management Systems applicable to this project, carrying out market research in different geographical areas, in conducting research into the most efficient procedures to obtain the Type Certificate for the airplane and in developing the most cost effective ways to carry out production of the airplane.

DESIGN ENGINEERING AND CONTRACT MANUFACTURING

The Company has considerable experience in contract manufacturing and has produced electronic and mechanical systems under contract to defense and aerospace companies. Products were built according to designs provided by our customers for whom the Company provided production engineering, contract manufacturing of components, sourcing and procurement of parts, assembly of full systems, testing and shipping. For several contracts, the Company also was doing electronic and mechanical design work.

The Company's former customers included Lockheed Martin MS2, Lockheed Martin Canada, Lockheed Martin Aeronautics and L-3.

NEW DIRECTION

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 on plans to obtain worldwide rights to a single engine airplane with industrial applications. If successful, we intend to manufacture and market the airplane internationally and provide Maintenance, Repair and Overhaul (MRO) services in close proximity to customers. The Company's wholly owned subsidiary, National Five Holding Ltd, is a 60% shareholder of Northstar Sealand Enterprises Ltd (NSEL). NSEL, has experience in working on certified commercial aircraft and government military contracts, and has access to an established aircraft assembly and parts manufacturing facility.

Marketing

NSEL has started market assessments in several large international markets where there appears to be volume sales potential for the single engine airplane. They have also begun to explore potential marketing partnerships with other aviation companies. Projections made by NSEL show a potential growth in demand for suitable single engine aircraft, subject to economic factors. Preliminary plans have been started on methods to achieve market presence, including direct sales, magazine ads, web site, and participation in trade shows.

Technology Protection

The Company currently owns no proprietary technology requiring protection with respect to its activities. It intends to acquire proprietary technology and, if successful, intends to put appropriate protection measures in place.

Need for Government Approvals

If the Company is successful in acquiring the rights to the aforementioned single engine airplane, there will be required government approvals applicable to our expected future activities.

The approvals would likely be for an in country Type Certificate and other certificates, as required, in other countries where the airplane would be marketed.

Effect of Existing or Probable Government Regulations

If successful with the acquisition of the rights to the single engine airplane, the Company intends to abide by the applicable regulations in each country where it intends to carry out marketing and sales. The costs of meeting the regulatory requirements can be high and the Company will do its best efforts to procure the funds required.

Costs and Effects of Compliance with Environmental Laws

The Company incurred no costs or adverse effects in its compliance with any environmental laws.

PRODUCTION

The Company has experience in carrying out work requiring multiple subcontractors to perform specialized tasks. The ability to integrate the work of multiple components to create a complete system will be NSEL's main area of business - system integration.

EMPLOYEES

As of December 31, 2017 the Company has a team of highly experienced consultants who provide administration, marketing and engineering services under contract.

PUBLIC INFORMATION

The Company electronically files with the Securities and Exchange Commission (SEC) all its reports, including but not limited to its annual and quarterly reports. The SEC maintains an internet site (<http://www.sec.gov>) that contains reports and other information regarding issuers that do file electronically. The Company maintains a web site address at www.northstarelectronics.com

Item 2. Description of Properties

The Company maintains an office at:

1166 Alberni Street, Suite 1001, Vancouver BC Canada V6E 3Z3

Item 3. Legal Proceedings

There are no known undisclosed legal filings registered or contemplated against the Company.

The Company is liable to repay CAD\$3,079,475 in assistance received from the Atlantic Canada Opportunity Agency (ACOA) by the Company's two subsidiaries, Northstar Technical Inc. (NTI) and Northstar Network Ltd. (NNL). The Company, for reasons of expediency, became a cosigner of the agreements the subsidiaries had with ACOA. Subsequently, ACOA claimed that NTI and NNL were delinquent in their payments and, eventually, in early 2013 ACOA launched legal action in Newfoundland where the two subsidiaries had operated. The Company was not in a financial position at the time to launch a defense and ACOA received a judgment unopposed. The Company intends to approach ACOA with an offer of settlement within the next several months.

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

There have been no changes since the previous filing. The Company has filed with the SEC an SB-1 registration statement April 2000, an S-8 registration November 2000 and quarterly reports (form 10QSB) for June and September 2000 and for March, June and September 2001, 2002, 2003, 2004, 2005, 2006 and 2007, form 10Q s for March, June and September 2008, 2009, 2010, 2011, 2012 - 2014, 2015, 2016 and annual reports (form 10KSB) for December 31, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 and form 10K for 2008, 2009, 2010, 2011 and the years 2012 thru 2014 and for 2015 and 2016.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

No change since previous filing.

Item 6. Management's Discussion and Analysis or Plan of Operation

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". 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 following discussion, comparison and analysis should be read in conjunction with the Company's accompanying audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes related thereto. The discussion of results, causes and trends should not be construed to infer conclusions that such results, causes or trends necessarily will continue in the future.

DISCUSSION

The following table sets forth for the years indicated items included in the Company's consolidated statement of operations:

2017

2016

Edgar Filing: NORTHSTAR ELECTRONICS INC - Form 10-K

Total revenue	\$	-	\$	-
Cost of goods sold		-		-
Gross margin		-		-
Expenses		639,125		535,288
Net income (loss)	\$	(639,125)	\$	(535,288)
Net income (loss) per share	\$	(0.01)	\$	(0.01)

During the years ended December 31, 2017 and 2016, the Company continued its recovery from the loss of its contracts, to improve its internal systems and continued working toward attaining suitable new contracts.

A shortage of working capital in support of operations has been an issue as the Company took measures to provide that support. Sufficient capital was not raised and consequent business operations were kept at a minimum.

New financing opportunities were pursued during the 2017 and 2016 fiscal years. During 2014 and 2013, the Company generated nominal gross revenues of \$10,526 and \$7,410, respectively, from consulting work.

The Company experienced operating losses of \$639,125 for 2017, and \$535,288 for 2016 while maintaining an office and continuing its search for its next opportunity.

Discontinued NETMIND operations: the Company was unable to finance its operations and could not attract personnel to manufacture and market the NETMIND product.

Defense Sonar Development Contract Opportunity

Discontinued

Contract Manufacturing and System Integration

Although the Company remains open to carrying out work in contract manufacturing and system integration, we are not actively pursuing contracts at this time in those areas.

Results of Operations

Nil revenue was generated in the years 2017 and 2016 resulting in negligible cash flow. The Company generated \$0 in contract and \$0 sales revenues during this period.

During 2017 the Company incurred costs of \$67,280 (\$180,000 during 2016) on market assessments, type certificate matters, supply chain management planning, quality control, first assembly plans, follow-on production plans, and maintenance, repair and overall planning related to the acquisition of the worldwide rights to the single engine industrial Turbo Prop airplane.

Liquidity and Capital Resources

The Company used cash in operations of \$(47,140) in 2017 compared to cash used by operations of \$(65,189) in 2016 and \$(51,178) in 2015. In 2017 the Company raised equity financing of \$57,500. In 2016 the Company raised equity financing of \$37,500 (2015: \$55,000 and 2014: \$0).

The Company's working capital and capital requirements will depend on many factors, including the ability of the Company to obtain aircraft sales in order to generate sufficient funds to cover the current level of operating expenses. During the most recent fiscal year (2017) the Company increased its current debt by \$539,260 (2016 increased by \$483,042).

The Company is attempting to negotiate a secure equity financing in the short term.

With respect to the trade payables, the Company's suppliers have been cooperative with the Company to date.

The Company will maintain its focus on reducing the outstanding amounts payable with settlements and debt financing. The Company expects its suppliers will continue to be supportive in the future, and the Company will continue with its communications regarding future prospects.

The Company is liable to repay CAD\$3,079,475 in assistance received from the Atlantic Canada Opportunity Agency (ACOA) by the Company's two subsidiaries, Northstar Technical Inc. (NTI) and Northstar Network Ltd.(NNL). The Company, for reasons of expediency, became a cosigner of the agreements the subsidiaries had with ACOA. Subsequently, ACOA claimed that NTI and NNL were delinquent in their payments and, eventually, in early 2013 ACOA launched legal action in Newfoundland where the two subsidiaries had operated. The Company was not in a financial position at the time to launch a defense and ACOA received a judgment unopposed. The Company intends to approach ACOA with an offer of settlement within the next several months.

The availability of sufficient future funds will depend to an extent on the timing of the expected acquisition of the rights to the single engine Turbo Prop airplane. Accordingly, the Company will be required to issue securities to finance start-up and working capital requirements for the expected new aviation business and ongoing general business expansion. There can be no assurance whether or not such future financings will be available on satisfactory terms.

Item 7. Financial Statements

NORTHSTAR ELECTRONICS, INC.

Index to Consolidated Financial Statements December 31, 2017 and 2016 (U.S. Dollars)

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Operations and Comprehensive Loss

Consolidated Statements of Changes in Stockholders' Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Northstar Electronics, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Northstar Electronics, Inc. (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit and cash flow, for the years then ended, and the related notes and schedules (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 December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated revenues since inception, has incurred losses in developing its business, and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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. 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 in accordance with the standards of the PCAOB. 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 in accordance with the standards of the PCAOB.

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.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

We have served as the Company's auditor since 2016

Vancouver, Canada

April 16, 2018

NORTHSTAR ELECTRONICS, INC.**Consolidated Balance Sheets****December 31**

(US Dollars)	2017	2016
Assets		
Current		
Cash	\$ 16,438	\$ 6,078
Prepaid expenses	-	7,292
Total Current Assets	16,438	13,370
Total assets	\$ 16,438	\$ 13,370
Liabilities		
Current		
Accounts payable and accrued liabilities (note 4)	\$ 941,115	\$ 806,445
Loans payable (note 5)	434,291	434,291
Due to directors (note 6)	424,538	314,550
Legal liability (note 7)	3,001,471	2,706,869
Total Current Liabilities	4,801,415	4,262,155
Total Liabilities	4,801,415	4,262,155
Stockholders Deficit		
Common Stock (note 10)		
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:		
98,579,815 Common shares	9,858	8,639

Edgar Filing: NORTHSTAR ELECTRONICS INC - Form 10-K

(86,887,609 - 2016)
597,716 Preferred shares

(629,626 - 2016)	404,299	456,209
Additional Paid-in Capital	8,333,396	8,194,737
Subscriptions receivable	(5,035)	-
Accumulated Deficit	(13,527,495)	(12,888,370)
Total Stockholders Deficit	(4,784,977)	(4,248,785)
Total Liabilities and Stockholders Deficit	\$ 16,438	\$ 13,370

See notes to consolidated financial statements

Nature of operations and going concern (note 1)

F-2

NORTHSTAR ELECTRONICS, INC.**Consolidated Statements of Operations and Comprehensive Loss****Years Ended December 31****(US Dollars)**

	2017	2016
Expenses		
Research and development	\$ 50,280	\$ 120,000
Travel, marketing and business development	17,000	60,000
Management fees (note 6)	105,000	85,000
Administration	60,000	42,500
Consulting	2,000	-
Rent and storage	9,421	6,223
Professional fees	36,260	25,530
Investor relations	46,622	5,390
Office and miscellaneous	3,566	6,568
Filing and transfer agent fees	15,342	12,239
Foreign exchange loss	192,865	68,564
Net loss before other items	(538,356)	(432,014)
Other items		
Interest expense (Notes 7 and 10)	(100,769)	(103,274)
Net and comprehensive (loss)	\$ (639,125)	\$ (535,288)
Loss Per Share (Basic)	\$ (0.01)	\$ (0.01)
Loss Per Share (Dilutive)	\$ -	\$ -
Weighted Average Number of Common		
Shares Outstanding (Basic and Diluted)	92,704,124	82,593,602

See notes to consolidated financial statements

F-3

NORTHSTAR ELECTRONICS, INC.**Consolidated Statements of Changes in Stockholders Deficit****Years Ended December 31****(US Dollars)**

	Number		Additional			Preferred	Total
	of	Par	Paid-In	Subscriptions	Accumulated	Shares	Stockholders
	Shares	Value	Capital	receivable	Deficit		Deficit
Balance, December 31, 2015	79,396,847	\$ 7,940	\$ 8,105,572	-	\$ (12,325,082)	\$ 456,209	\$ (3,755,361)
Issuance for cash (note 10)	4,161,494	416	37,084	-	-	-	37,500
Issuance on conversion of preferred C shares (note 10)	1,747,435	125	19,875	-	-	(20,000)	-
Issuance for interest (note 10)	181,833	18	4,346	-	-	-	4,364
Issuance for goodwill (note 10)	1,400,000	140	27,860	-	(28,000)	-	-
Net loss	-	-	-	-	(535,288)	-	(535,288)
Balance, December 31, 2016	86,887,609	8,639	8,194,737	-	(12,888,370)	436,209	(4,248,785)
Issuance for cash (note 10)	6,905,000	690	61,845	(5,035)	-	-	57,500
Adjustment	-	50	(50)	-	-	-	-
Issuance on conversion of preferred B shares (note 10)	2,037,206	204	31,706	-	-	(31,910)	-
Issued for services (note 10)	2,750,000	275	29,225	-	-	-	29,500
Fair value of warrants issued	-	-	15,933	-	-	-	15,933

(note 10)

Net loss	-	-	-	-	(639,125)	-	(639,125)
Balance, December							
31,2017	98,579,815 \$	9,858 \$	8,333,396 \$	(5,035) \$	(13,527,495) \$	404,299 \$	(4,784,977)

See notes to consolidated financial statements

NORTHSTAR ELECTRONICS, INC.**Consolidated Statements of Cash Flows****Years Ended December 31****(US Dollars)**

	2017	2016
Operating Activities		
Net loss	\$ (639,125)	\$ (535,288)
Items not involving cash:		
Non-cash consulting	2,000	-
Non-cash investor relations	43,433	-
Issuance of shares for interest	-	4,364
Foreign exchange loss	193,833	68,672
Changes in Non-Cash Working Capital:		
Prepaid expenses	7,292	(7,292)
Accounts payable and accrued liabilities	134,670	229,829
Due to directors	109,988	75,614
Interest accrual	100,769	98,910
Cash Used in Operating Activities	(47,140)	(65,189)
Financing Activities		
Issuance of share capital for cash	57,500	37,500
Loan advances	-	10,015
Cash Provided by Financing Activities	57,500	47,515
Increase (Decrease) in Cash	10,360	(17,674)
Cash, Beginning	6,078	23,752
Cash, Ending	\$ 16,438	\$ 6,078
Supplemental Information		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-cash transactions		
Common shares issued for interest	\$ -	\$ 4,364
Common shares issued for goodwill	\$ -	\$ 28,000

Edgar Filing: NORTHSTAR ELECTRONICS INC - Form 10-K

Common shares issued for consulting	\$	2,000	\$	-
Common shares issued for investor relations	\$	27,500	\$	-

See notes to consolidated financial statements

F-5

NORTHSTAR ELECTRONICS, INC.

Notes to Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(US Dollars)

1. NATURE OF OPERATIONS AND 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 principally 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.

The accompanying financial statements have been prepared on a going concern basis, which assumes the Company will be able to continue as a going-concern and contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the year ended December 31, 2017 the Company incurred a net loss of \$639,125 (2016: \$535,288) and had a working capital deficiency of \$4,784,977 (2016: \$4,248,785). Continuation as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due and ultimately upon its ability to achieve profitable operations. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Management intends to obtain additional funding by issuing debt and equity financing.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiary, National Five Holding Ltd, which was inactive during the years ended December 31, 2017 and 2016.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of commercial accounts, trust accounts and interest-bearing bank deposit. Items are considered to be cash equivalents if the original maturity is three months or less.

c. Research and development

Research and development costs are expensed to operations as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currency translation

The functional currencies of the Company and its subsidiary were determined as the US dollar, which is the currency of their primary economic environment. Amounts incurred in Canadian dollars are translated into the functional currency as follows:

(i)

Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;

(ii)

Non-monetary assets and liabilities at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii)

Revenues and expenditures at rates approximating the average rate of exchange for the year.

e. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

f. Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, *Income Taxes*, which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and for tax losses and 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 Company provides for deferred taxes

for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

g. Basic and diluted net loss per share

The Company computes net income (loss) per share in accordance with ASC 260, Earnings per Share . ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excluded all dilutive potential shares if their effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Segments of an enterprise and related information

ASC 280, Segment Reporting establishes guidance for the way that public companies report information about operating segments in annual consolidated financial statements and requires reporting of selected information about operating segments in interim consolidated financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

i. Fair value measurements

The Company adopted ASC 820, Fair Value Measurements. ASC 820 provides a definition of fair value, establishes a hierarchy for measuring fair value under generally accepted accounting principles and requires certain disclosures about fair values used in the financial statements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

j. Comparative figures

Certain comparative figures have been adjusted to conform to the current year's presentation.

k. Recently adopted accounting pronouncements

Recent accounting pronouncements issued by the Financial Accounting Standards Board or other authoritative standards groups with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

F-8

3. FINANCIAL INSTRUMENTS

Fair values

The carrying values of accounts payable, loans payable, due to directors and legal liability approximate their fair values because of the short maturity of these financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the fixed rates of interest on its monetary assets and liabilities.

Credit risk

The Company is exposed to credit risk with respect to its cash. The Company deposits cash with a high credit quality financial institution as determined by rating agencies.

Currency risk

The Company is subject to currency risk as certain of the assets and liabilities are denominated in Canadian dollars. The exchange rate conversion to US dollars may vary from time to time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is reliant upon related parties and share issuance as its sources of cash. The Company has received financing from related parties and share issuances in the past; however, there is no assurance that it will be able to do so in the future.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017		2016
Accounts payable	\$ 500,115	\$	483,945
Accrued liabilities	441,000		322,500
	\$ 941,115	\$	806,445

5. LOANS PAYABLE

	2017		2016
Demand loans	\$ 417,364	\$	417,364
Interest payable	16,927		16,927
	\$ 434,291	\$	434,291

The demand loans are non-interest bearing, unsecured with no fixed terms of repayment.

6. RELATED PARTY TRANSACTIONS

a.

The amount of \$424,538 (December 31, 2016: \$314,550) due to a director of the Company has no specific terms of repayment, is non-interest bearing and unsecured.

b.

The Company accrued management fees payable of \$105,000 in total to a director of the Company for his services as an officer of the Company during the year ended December 31, 2017 (2016: \$85,000).

c.

The Company accrued engineering fees payable of \$15,000 in total to a director of the Company for his services during the year ended December 31, 2017 (2016: \$Nil), which are included in research and development expense.

7. LEGAL LIABILITY

During 2000 to 2008, the Company's former subsidiaries Northstar Technical Inc. (NTI) and Northstar Network Ltd. (NNL) received funding from Atlantic Canada Opportunities Agency (ACOA) to fund their projects. In 2013, ACOA filed claims against NTI, NNL and the Company for repayments of advances due to events of default. The advances and interests ACOA claimed totaled CAD \$3,079,475 (\$2,454,649). In accordance with the agreements signed between NTI, NNL and the Company, the Company was jointly and severally liable for the obligations. Further, the claim amount bears a daily interest of CAD \$358 from February 15, 2013 to settlement. During the year ended December 31, 2017, the Company accrued interest in the amount of \$100,769 (2016: \$98,910).

	2017		2016
Legal liability	\$ 2,454,649	\$	2,293,592
Interest payable	546,822		413,277
	\$ 3,001,471	\$	2,706,869

8. WARRANTS

Warrant activity for the years ended December 31, 2017 and 2016 is as follows:

	Number	Exercise	Weighted
	of	Price	Average
	Warrants	per Share	Exercise
		Price	Price
Balance December 31, 2015 and 2016	829,940	\$0.15 - \$0.75	\$0.64
Issued	2,500,000	\$0.04	0.04
Issued	1,827,500	\$0.05	0.05
Balance December 31, 2017	5,157,440		\$0.13

F-10

8. WARRANTS (continued)

As at December 31, 2017 the outstanding warrants are as follows:

Expiry Date	Exercise Price	Number of Warrants	
		2017	2016
Open (1)	\$ 0.50	389,170	389,170
Open (1)	\$ 0.75	389,170	389,170
Open (2)	\$ 0.25	51,600	51,600
April 20, 2019	\$ 0.04	2,500,000	--
November 7, 2018	\$ 0.05	1,562,500	--
December 25, 2018	\$ 0.05	265,000	--
Total outstanding and exercisable		5,157,440	829,940
Weighted average outstanding life of warrants (years)		0.94 - Open	Open

(1)

These warrants were issued in 2005. The expiry date of the warrants are six months after the closing bid price for the common stock of the Company has been over \$0.65 and \$1.00 per share respectively for five consecutive trading days.

(2)

These warrants were issued in 2008 and they do not have an expiry date.

9. INCOME TAXES

Income taxes vary from the amount that would be computed by applying the estimated combined statutory income tax rate (34%) for the following reasons:

Edgar Filing: NORTHSTAR ELECTRONICS INC - Form 10-K

	2017	2016
Income (Loss) before income taxes	\$ (639,125)	\$ (535,288)
Income tax rate	34%	34%
Expected income tax recovery	(217,302)	(181,998)
Increase (decrease) due to:		
Change in valuation allowance	217,302	181,998
Provision for income taxes	\$ --	\$ --

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

	2017	2016
Deferred tax asset attributable to:		
Non-capital loss	\$ 2,999,482	\$ 2,782,180
Less: change in valuation allowance	(2,999,482)	(2,782,180)
	\$ --	\$ --

9. INCOME TAXES (continued)

The Company's carried losses for income tax purposes are \$8,822,006 which may be carried forward to apply against future income tax, expiring between 2026 and 2037. The future tax benefit of these loss carry-forwards has been offset with a full valuation allowance. These losses expire as follows:

2026	\$	681,591
2027		718,441
2028		1,791,899
2029		1,039,431
2020		1,272,447
2031		1,807,955
2032		335,829
2036		535,288
2037		639,125
	\$	8,822,006

The Company has adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109. (FIN 48), as codified in ASC 740. ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

The Company did not file its U.S. federal income tax returns, including, without limitation, information returns on Internal Revenue Service (IRS) Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations for the years ended December 31, 2007 through 2017. Failure to furnish any information with respect to any foreign business entity required, within the time prescribed by the IRS, subjects the Company to certain civil penalties.

The Company did not file the information reports for the years ended December 31, 2007 through 2011 concerning its interest in foreign bank accounts on TDF 90-22.1, Report of Foreign Bank and Financial Accounts (FBARs). For not complying with the FBAR reporting and recordkeeping requirements, the Company is potentially subject to civil penalties up to \$10,000 for each of its foreign bank accounts.

In addition, because the Company did not generate any income in the United States or otherwise have any U.S. taxable income, the Company does not believe that it owes U.S. federal income taxes in respect to any transactions that the Company or any of its subsidiaries may have engaged in through December 31, 2017. However, there can be no assurance that the IRS will agree with the position, and therefore the Company ultimately could be held liable for U.S. federal income taxes, interest and penalties.

F-12

10. COMMON STOCK

During the year ended December 31, 2017, the Company issued 2,037,206 common shares on the conversion of 31,910 preferred Class B shares for \$31,910.

During the year ended December 31, 2017, the Company issued, 6,905,000 common shares for cash of \$62,535. Included in subscriptions receivable is \$5,035, which was received subsequent to December 31, 2017.

During the year ended December 31, 2017, the Company issued 2,750,000 common shares for services with a fair value of \$29,500. Included in these issuances were 1,750,000 attached warrants with an exercise price of \$0.04 per common stock for a period of two years. The fair value of warrants was determined to be \$15,933 using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield - 0%, volatility - 282%, risk-free rate - 1%, and expected life - 2 years.

During the year ended December 31, 2016, the Company issued 4,164,494 common shares for \$37,500.

During the year ended December 31, 2016, the Company issued 1,400,000 common shares with a fair value of \$28,000 to a shareholder for goodwill. The shareholder has been actively supporting the Company by subscribing to its preferred and common shares. As this was a benefit to a specific shareholder, the fair value of this issuance was recorded to accumulated deficit.

During the year ended December 31, 2016, a preferred Class C shareholder converted 19,975 shares with a value of \$20,000 to 1,747,435 common shares. The Company issued 181,833 common shares with a fair value of \$4,364 for interest accrued on the 19,875 preferred Class C shares.

Preferred Shares

Issued for cash:

All classes of the preferred shares bear interest at 10% per annum paid semiannually not in advance and are convertible to shares of common stock of the Company after two years from receipt of funds at a 20% discount to the then current market price of the Company's common stock. The preferred shares may be converted after six months and before two years under similar terms but with a 15% discount to market. At December 31, 2017, the outstanding number of preferred Classes A, B and C shares are 582,716 (December 31, 2016: 614,626), 15,000 (December 31, 2016: 15,000) and nil (December 31, 2016: nil), respectively.

11. LOSS PER SHARE

The potentially dilutive securities that were excluded from the earnings (loss) per share calculation consist of 5,157,440 warrants (2016: 829,940). The warrants and any preferred share conversions would be antidilutive and therefore excluded.

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

There are no reportable disagreements on accounting or financial disclosure issues.

Item 8A. Controls and Procedures

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act).

Framework used by Management to Evaluate the Effectiveness of Internal Controls over Financial Reporting

I maintain internal controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure within certain policies and procedures. These policies and procedures include:

-

maintenance of records in reasonable detail to accurately and fairly reflect the transactions and dispositions of assets;

-

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material

effect on our financial statements.

For the year ended December 31, 2017 management has relied on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), an Internal Control - Integrated Framework issued in 1992, to evaluate the effectiveness of our internal control over financial reporting.

Management's Assessment of the Effectiveness of Internal Controls over Financial Reporting as of December 31, 2017

Management conducted an evaluation of the effectiveness of our internal control over financial reporting and determined that our internal control over financial reporting was effective as of December 31, 2017.

Attestation Report of the Registered Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Factors Considered in Determining Effectiveness of Internal Controls and Procedures

Our President/Chief Executive Officer/Chief Financial Officer, has evaluated the effectiveness of our internal controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of December 31, 2016.

Our internal controls over financial reporting are designed by, or under the supervision of, our President/Chief Executive Officer/Chief Financial Officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, that our receipts, expenditures and business transactions are being made in accordance with authorizations of our management and directors and that all of our reporting obligations are met.

Management's Assessment of the Effectiveness of Disclosure Controls over Financial Reporting as of December 31, 2017

Management conducted an evaluation of the effectiveness of our disclosure control over financial reporting and determined that our disclosure control over financial reporting was effective as of December 31, 2017. In the future, management will review the form of the 10-K to ensure that the affirmations meet the disclosure affirmation requirements and the internal control affirmation requirements. Measures have been taken to ensure any weakness in disclosure controls is remedied, principally by input from the Company's legal securities counsel with respect to the disclosure obligations of the Company and from adequate allocation of resources.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons;

Compliance with Section 16(a) of the Exchange Act

Name of Director	Age	Office
Wilson Russell, PhD	72	President and Principal Financial Officer

Item 10. Executive compensation

During the year 2017 the Company paid or accrued as payable \$105,000 (2016 \$85,000; 2015 \$50,000) to Wilson Russell, the Company's President, for his services.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Class	Name and Address	Number of Shares	Percentage of Shares*
Common	Wilson Russell 3959 36th Ave. W Vancouver, B.C. Canada V6N 2S7	9,014,721	11.35%
Common	All officers and directors as a group:	9,014,721	11.35%

*Based on 98,049,815 shares of common stock issued and outstanding December 31, 2017

Item 12. Certain Relationships and Related Transactions

None

Item 13. Exhibits and Reports on Form 8-K

No change in exhibits since previous filing.

No Form 8K was filed during the fourth quarter of 2017.

Item 14. Principal Accountants Fees and Services

During the year 2017 the Company's auditors received approximately \$29,000 in remuneration for audit and related services. No other services were provided to the Company by its auditors and principal accountants

During the year 2016 the Company's auditors received approximately \$16,500 in remuneration for audit and related services. No other services were provided to the Company by its auditors and principal accountants

During the year 2015 the Company's auditors received approximately \$6,250 in remuneration for audit and related services. No other services were provided to the Company by its auditors and principal accountants.

During the years 2012, 2013 and 2014 the Company's auditors received approximately \$15,000 in remuneration for audit and related services. No other services were provided to the Company by its auditors and principal accountants.

During 2011, the Company's auditors and principal accountants received approximately \$98,113 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2010, the Company's auditors and principal accountants received approximately \$100,000 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2009, the Company's auditors and principal accountants received approximately \$96,382 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2008, the Company's auditors received approximately \$44,900 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2007, the Company's auditors received approximately \$52,300 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Northstar Electronics, Inc.

(Registrant)

By (Signature and Title):
Date April 16, 2018

/s/ WILSON RUSSELL
Wilson Russell, PhD,
Chief Executive Officer and
Chief Financial Officer

