10-Q/A 1 neik1221201110q.htm AMENDED QTR. REPORT

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
(Amendment No.1 of 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, 2011

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FO
TRANSITION PERIOD FROM **n/a** to **n/a**

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.

Suite # 410 - 409 Granville Street,
Vancouver, British Columbia, Canada V6C 1T2
Address of principal executive offices

(604) 685-0364
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 p
months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filin
requirements for the past 90 days.
Yes[X] 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 **[X]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 **[X]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 Excha
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 November 8, 2011: 53,535,225

Transitional Small Business Disclosure Format (check one):
Yes[] **No[X]**

Note: This amendment is being filed to resubmit a missind Exhibits 31.1 and 32.1.

PART I - FINANCIAL INFORMATION

NORTHSTAR ELECTRONICS, INC.
Consolidated Balance Sheets - U.S. Dollars

	September 30	December 31
	2011	2
	unaudited	aud
Assets		
Current		
Cash and cash equivalents	$ 0	$
Accounts receivable	19,908	
Inventory	256,040	
Prepaid expenses	17,416	
	293,364	
Deferred contract costs	47,072	
Intangible asset	10,303	
Equipment	37,997	
	$ 388,736	$
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 2,101,854	$
Loans payable	870,007	
Due to Cabot Management Limited	51,996	
Due to Directors	1,076,922	
Deferred revenue	50,053	
Current portion of long-term debt	456,867	
	4,607,699	
Long-term debt	1,582,718	
	6,190,417	
Stockholders' Deficit		
Authorized:		
100,000,000 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:		
46,516,803 Common shares (36,143,942 - December 31, 2010)	4,652	
488,586 Preferred series A shares (488,586 - December 31, 2010)	409,299	
Additional Paid-in Capital	6,635,496	
Accumulated Other Comprehensive Income (Loss)	(483,923)	
Accumulated Deficit	(12,367,205)	

	$	388,736	$

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2011 and 2010
Unaudited
U.S.Dollars

	Three Months		Nine Months	
	2011	2010	2011	2010
Sales	$28,391	$ 528,520	$ 349,166	$2,767,591
Cost of goods sold	5,892	384,178	188,852	2,060,260
Gross margin	22,499	144,342	160,314	707,331
Recovery of development costs	(274)	0	16,256	0
Other income (expense)	(610)	0	2,227	0
	21,615	144,342	178,797	707,331
EXPENSES				
Salaries	152,030	211,611	600,284	643,797
Management and administration fees	45,000	45,000	135,000	135,000
Financial consulting	7,400	3,000	151,900	9,000
Professional fees	1,263	53,414	90,350	64,240
Rent	33,659	30,411	103,221	93,382
Investor relations	17,427	1,238	53,540	24,790
Office and administration	(1,850)	39,213	63,419	110,070
Bad debts	0	0	0	0
Travel and business development	1,304	2,897	1,304	36,999
Interest on debt	53,839	113,580	297,413	214,572
Telephone and utilities	6,085	7,353	20,743	22,189
Amortization	2,875	3,484	11,683	13,079
Consulting fees	44,970	0	44,970	10,967
Total expenses	364,002	511,201	1,573,827	1,378,085
Net loss for period	$(342,387)	$(366,859)	$(1,395,030)	$(670,754)
Net loss per share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding	45,308,517	35,574,202	41,263,918	34,481,172

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statement of Changes in Stockholders' Equity
Nine Months Ended September 30, 2011
Unaudited
U.S. Dollars

	Shares	Amount	Additional Paid in Capital	Other Compre-hensive Income	Accumu-lated Deficit	Total Stockholder Equity (Deficit)
Balance December 31, 2010	36,143,942	$3,614	$5,764,443	$(649,153)	$(10,972,175)	$(5,853,271)
Net loss for Nine months	-	-	-	-	(1,395,030)	(1,395,030)
Currency translation adjustment	-	-	-	165,230	-	165,230
Issuance of common stock:						
- for loans	2,082,112	208	199,792	-	-	200,000
- for cash	5,770,002	577	399,423	-	-	400,000
- for services	2,520,747	253	271,838	-	-	272,091
Balance September 30, 2011	46,516,803	$4,652	$6,635,496	$(483,923)	$(12,367,205)	$(6,210,980)

Series A shares of preferred stock -balance December 31, 2010	409,299
Series A shares of preferred stock - converted	-
Series A shares of preferred stock - subscribed	-
Total stockholders' equity (deficit) September 30, 2011	

$(5,801,681)

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010
Unaudited
U.S.Dollars

	2011	2010
Operating Activities		
Net income (loss)	$(1,395,030)	$(670,754)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Amortization	11,683	13,079
Write down of deferred start up costs	9,905	133,683
Issuance of common stock for services	272,091	60,841
Changes in operating assets and liabilities	17,516	186,462
Net cash (used) provided by operating activities	(1,083,835)	(276,689)
Investing Activities		
Property and equipment disposal (purchase)	(4,760)	(510)
Net cash (used) provided by investing activities	(4,760)	(510)
Financing Activities		
Issuance of common shares for cash (net of costs)	400,000	523,586
Loans payable	489,177	0
Increase (repayment) of long term debt	14,605	(267,400)
Advances from (repayment to) directors	(131,343)	(50,534)
Net cash (used) provided by financing activities	772,439	205,652
Effect of foreign exchange on translation	(180,845)	(4,945)
Inflow (outflow) of cash		

	(135,311)	(76,492)
Cash, beginning of period	135,311	108,486
Cash, end of period	$ 0	$ 31,994
Supplemental information		
Interest paid	$297,413	$214,572
Shares issued for prepaid expense	$ 0	$97,000
Shares issued for loan repayment	$200,000	$ 6,600
Shares issued for services	$272,091	$60,841
Corporate income taxes paid	$ 0	$ 0

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Notes to Consolidated Financial Statements
Nine Months Ended September 30, 2011
Unaudited
U.S. Dollars

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

These consolidated financial statements include the accounts of Northstar Electronics, Inc. ("the Company") and its wholly owned subsidiaries Northstar Technical Inc. ("NTI") and Northstar Network Ltd. ("NNL"). The Company was incorporated May 11, 1998 in the State of Delaware and had no operations other than organizational activities prior to the January 2000 merger with NTI described as follows: On January 26, 2000 the Company completed the acquisition of 100% of the shares of NTI. The Company, with the former shareholders of NTI receiving a majority of the total shares then issued and outstanding, effected the merger through the issuance of 4,901,481 shares of common stock from treasury. The transaction has been accounted for as a reverse takeover resulting in the consolidated financial statements including the results of operations of the acquired subsidiary prior to the merger. All intercompany balances and transactions are eliminated.

The Company's business activities are conducted principally in Canada but these financial statements are prepared in accordance with accounting principles generally accepted in the United States with all figures translated into United States dollars for reporting purposes.

These unaudited consolidated interim financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States 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, 2010 Form 10-K and amendments.

In the opinion of the Company's management, this consolidated interim financial information reflects all adjustments necessary to present fairly the Company's consolidated financial position at September 30, 2011 and the consolidated results of operations and the consolidated cash flows for the nine months then ended.

For the nine months ended September 30, 2011, 100% of the Company's revenues were generated from contracts with two major customers.

The Company is continually marketing its services for new and follow-on contracts.

The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the entire fiscal year. The accompanying 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, 2011 the Company incurred a net loss of $1,395,030 and at September 30, 2011 had a working capital deficiency (an excess of current liabilities over current assets) of $4,314,335 (December 31, 2010: $4,851,596), including $456,867 of long term debt due within one year (December 31, 2010: $1,318,587). Management has undertaken initiatives for the Company to continue as a going concern, for example: the Company is negotiating to secure an equity financing in the short term and is in discussions with several financing firms as well as other financing alternatives. The Company also expects to increase contract revenues and continues to seek manufacturing assembly contracts to increase revenue. These initiatives are in recognition that in order for the Company to continue as a going concern it must generate sufficient cash flow to cover its obligations and expenses. In addition, management believes these initiatives can provide the Company with a solid base for profitable operations, positive cash flows and reasonable growth. Management is unable to predict the results of its initiatives at this time. 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, 2011 the following shares of common stock were issued:
For services: 1,409,796 shares fairly valued at $179,410 - the market value of those services
For cash: 4,792,859 shares fairly valued for cash of $340,000.
For conversion of loans: 2,082,112 fairly valued at $200,000

PREFERRED STOCK

Issued for cash:

In prior periods 488,586 series A shares of preferred stock were issued for $409,299. The preferred shares bear interest at 10% per annum paid semi annually 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.

3.

LONG TERM DEBT

Balance owing December 31, 2010	$2,024,980
Increase	14,605
Effect of foreign exchange on translation to US	0
Balance due September 30, 2011	2,039,585
Less current portion	(456,867)
	$1,582,718

4. REVENUE

	Nine months 2011	Nine months 2010
Revenue consists of:		
Product sales	$ 0	$ 0
Contract sales	349,166	2,767,591
Government assistance	16,256	0
Other	2,227	0
	$ 367,649	$ 2,767,591

5. CONTINGENCIES

(i) The Company is contingently liable to repay $2,294,755 in assistance received under the Atlantic Innovation Fund. The assistance is repayable annually at the rate of 5% of gross revenues from sales of products resulting from the Aquacomm research and development project. Gross revenues are to be calculated for the fiscal year immediately preceding the due date of the respective payment. Repayment is to continue until the assistance is repaid in full. At September 30, 2011 the Company has accrued $181,828 as repayable.

6. 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.

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, 2011 and September 30, 2010 prepared by management and the audited consolidated financial statements for the twelve months ended December 31, 2010 as presented in the Company's Form 10K and amendments as filed.

Although the Company has experienced a net loss this quarter, it continues to expend effort to secure additional contracts for the manufacture and assembly of military systems, submarine command and control consoles, precision machined parts and other components for aerospace and defense systems.

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

The Company, through its subsidiaries is an underwater sonar technology developer, a defense electronics contract manufacturer (CM) and a defense systems integrator (DSI).

Underwater Sonar Products and Technologies

a) Project X

The company developed, under contract to Lockheed Martin Canada, a specialized underwater sonar system and built a prototype unit. Further contract work on this program is anticipated in 2012.

b) Defense Sonar Systems

The Company was a subcontractor on Lockheed Martin's anti-terrorism Swimmer Detection System (SDS). The SDS is a wide band high frequency sonar system designed specifically to detect and classify underwater terrorist threats. The design and technology is applicable to innovative military sonar products.

Defense Contract Manufacturing

The Company, with its updated facilities, completed further details and reviews for prospective new submarine console work from Lockheed Martin Manassas MS2, and was awarded a first contract.

The Company's wholly owned subsidiary, Northstar Network Ltd., continued work on the original Master Purchase Order for the Wing Assembly Upgrade Components for the P-3 ORION aircraft from Lockheed Martin Aeronautics and is presently preparing to start work on a recent $2.7M purchase order as part of the Master Purchase Order. The Company is manufacturing components for new production service life extension kits for this Lockheed Martin Service Life Extension Program. The Company is currently working on opportunities to bolster its working capital. The timely extension and execution of our contracts depends on the amounts of working capital available to us when required.

In addition to the P3 Project, work continued with some delays for the manufacture/assembly of the new Machine Control Consoles and new Trainer Consoles for L3 Communication MAPPS Ltd. for the Canadian Navy Frigate Upgrade program. Over 60 units will be delivered under this contract. The delays were a result of the Company's lack of working capital in the quarter which we believe is improving.

Systems Integration

The Company continues to enhance its approach to securing and executing large defense contracts by bringing together affiliate companies. The overall affiliate capability, which is substantial, is presented to the prime contractors. Marketing efforts continue in this area to broaden our exposure for manufacturing opportunities.

The aforementioned P3 ORION Master Purchase Order and the L3 Communications MAPPS Ltd. contract are examples of how Systems Integration works for us. In these projects, six subcontractors carry out various tasks, with Northstar bringing all component parts together for engineering, testing, quality control and delivery to the customer.

Results of Operations

Comparison of the three and nine months ended September 30, 2011 with the three and nine months ended September 30, 2010:

Gross revenues from sales, miscellaneous income and recovery of research and development for the three month period ended September 30, 2011 were $27,507 compared to $528,520 in the comparative prior three month period.

Gross revenues from sales, miscellaneous income and recovery of research and development for the nine month period ended September 30, 2011 were $367,649 compared to $2,767,591 in the comparative prior nine month period.

Sales revenue for the three month period ended September 30, 2011 was $28,391 compared to $528,520 of sales revenue recorded during the same three month period of the prior year. This lack of revenue was partially due to the long delay in receiving purchase orders on the new contract and secondly, due to the lack of working capital for production. As well a number of sub-contractors had accrued some debt which was stalling active production. Steps have been taken to remedy this situation. Adding to the loss was the delay in contract increases for the L3 Frigate Consol upgrade program. Subsequent to the second quarter the increases were received. An overall contributing factor to the decline in revenues was insufficient working capital to support production on the contracts. The Company believes its working capital position will improve with expected equity investments in the following quarters which we expect will lead to increased revenue in the future.

Sales revenue for the nine month period ended September 30, 2011 was $349,166 (88% decrease) comparable to $2,767,591 in the prior period. Gross margin percentages increased 18% from $562,989 (25%) in the prior nine month period to $160,314 (46%) in the current nine month period but declined considerably in $'s as sales decreased. Margins were higher for the third quarter sales as various high margin parts were shipped against the master purchase order.

The net loss for the three month period ended September 30, 2011 was $(342,387) compared to a net loss of $(366,859) for the three months ended September 30, 2010. The increase in the loss resulted from the decline in gross revenue as expenses increased.

Salaries decreased to $600,284 for the nine months ended September 30, 2011 compared to salaries of $643,797 for the comparative prior nine months ended September 30, 2010 as the Company contracted its workforce due to decreased contract sales. Salaries may increase with new projects anticipated in the aeronautics area, commensurate with any corresponding increases in revenues.

Travel and business development costs were $1,304 for the nine months and $36,999 for the comparative prior period ended September 30, 2010 as the Company attempted to contract its outlays due to the decline in revenue.

During the period the Company's contract with Lockheed Martin for the P-3 aircraft refurbishment program had not commenced due to working capital constraints.

The Company is actively pursuing contracts for its sonar capabilities in military and anti terrorist applications.

Comparison of Financial Position at September 30, 2011 with December 31, 2010

The Company's working capital deficiency at September 30, 2011 was $4,314,335 with current liabilities of $4,607,699 which are in excess of current assets of $293,364. At December 31, 2010 the Company had a working capital deficiency of $4,851,596.

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, 2010. 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

The Company has increased its shareholders' deficit as a result of its efforts to increase its business activity and customer base. Cash outflow for the nine months ended September 30, 2011 was negative $(1,083,835) compared to a cash outflow of $(276,689) in the comparative prior nine month period.
During the nine months ended September 30, 2011 the Company received $400,000 from equity funding, received $14,605 net proceeds from long term debt, received $489,177 from other loan proceeds and repaid $(131,343) net to directors of the Company leaving cash on hand at September 30, 2011 of $0 compared to cash on hand of $135,311 at December 31, 2010.

Until the Company receives revenues from new contracts and/or increases its product sales revenue, 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 funds 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.

(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.

a) Options Granted

	Date	Exercise Price	Expiry Date
Nil			

b) Warrants Issued

During the nine month period ended September 30, 2011 the Company issued nil share purchase warrants.

c) Common Stock Issued

	Date	Consideration
150,000		

	February, 2011	cash of $15,000
328,398	February, 2011	services valued at $39,400
650,000	March, 2011	services valued at $78,000
1,111,112	March, 2011	repayment of $200,000 loan from Director
335,000	April, 2011	finance fees valued at $42,500

4,642,859	June, 2011	cash of $325,000
96,398	June, 2011	services valued at $19,510
557,143	July, 2011	cash of $35,000
149,413	July, 2011	services valued at $12,270
160,313	August, 2011	services valued at $16,250
1,593,160	September, 2011	services valued at $64,160
420,000	September, 2011	cash of $25,000

d) 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

31.1	Rule 13a-14(a)/14d-14(a) Certification of Principal Executive Officer.
32.1	Section 1350 Certification of Principal Executive Officer and Principal Financial & Accounting Offi

SIGNATURES

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

December 22, 2011 Northstar Electronics, Inc.
(Registrant)

By: /s/ *Wilson Russell*
Wilson Russell, PhD, President and Chief Financial Officer