

Radnor Financial Advisors, Inc.
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Radnor Financial Advisors, Inc.
Brochure
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This brochure provides information about the qualifications and business practices of Radnor Financial Advisors, Inc. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (610) 975-0280 or radnor@radnorfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Radnor Financial Advisors, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Radnor Financial Advisors, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Radnor Financial Advisors, Inc.'s disclosure statement since last year's Annual Amendment filing on March 9, 2012.

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Item 4 **Advisory Business**

- A. Radnor Financial Advisors, Inc. (the “Registrant”) is a corporation formed on September 16, 1986 in the Commonwealth of Pennsylvania. The Registrant became registered as an Investment Adviser Firm in August 1989. The Registrant is principally owned by Edd H. Hyde, the Registrant’s President.
- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, tax preparation services and, to the extent specifically requested by a client, financial planning and related consulting services.

WEALTH MANAGEMENT SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000	1.00%
Next \$1,000,000	0.80%
Next \$1,000,000	0.70%
Next \$1,000,000	0.60%
Next \$5,000,000	0.50%
Next \$5,000,000	0.40%
Over \$15,000,000	Negotiable

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services on a stand-alone separate fee basis. Registrant’s financial planning advice may include, among other things, oral advice, written analyses and reports, and computer generated analyses and reports on the types of investments which are compatible with the client’s personal investment constraints and objectives, and personal and family circumstances and obligations; on specific investments and investment products, including financial assets and real assets; on income taxes and tax planning; on personal and business insurance; on qualified benefit plans and non-qualified benefit plans; on estate taxes and estate planning; on personal and business cash flow management and budgeting; the acquisition and disposition of business interests; and on other personal and business financial planning and tax issues.

Registrant’s planning and consulting fees are negotiable, but generally range from \$200 to \$600 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant

to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Financial Planning for Corporate Executives

Financial planning is also offered as "packaged" consulting service for corporate executives. Under this arrangement, a fixed fee for specific consulting projections within specific time parameters is established. Based on Registrant's experience, a reasonable guideline for Registrant's fee for this comprehensive service may be based on the compensation level of a corporate executive. The compensation level is determined as the current base cash salary plus average of recent bonuses (or anticipated bonus) plus the "value" of long-term incentive package.

COMPREHENSIVE REPORTING

Registrant may also provide comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Registrant (the "Excluded Assets"). Should the client receive such reporting services, the client acknowledges and understands that with respect to the Excluded Assets, Registrant's service is limited to reporting services only and does not include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. In the event the client desires that Registrant provide investment management services with respect to the Excluded Assets, the client may engage Registrant to do so for a separate and additional fee pursuant to the terms and conditions of an *Wealth Management Agreement* between Registrant and the client.

TAX PREPARATION SERVICES

To the extent requested by the client, the Registrant *may* determine to provide tax preparation services on a stand-alone separate fee basis. Registrant's tax preparation fee generally ranges from \$800 - \$5,000 depending upon the level and scope of the tax return.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services. **Please Also Note:** Although registrant may provide tax preparation services for certain of its clients and certain of Registrant's Principals, in their separate individual capacities, may be (may have been) licensed as certified public accountants, no corresponding CPA-client relationship is established.

Affiliated Private Investment Funds. The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets among private investment partnerships formed by the Registrant (together, the "*Partnership(s)*"). The purpose of the Partnerships is to pool funds for the purpose of gaining access to investment opportunities that might otherwise be unavailable to the Registrant's clients. The Registrant provides due diligence and administrative services to the *Partnerships*. The terms and conditions for participation in the *Partnership(s)*, including management fees, conflicts of interest, and risk factors, are set forth in each *Partnership's* offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Conflict Of Interest. Because Registrant and/or its affiliates can earn compensation from the *Partnership(s)* that may exceed the fee that Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an *Partnership(s)* investor presents a **conflict of interest**. No client is under any obligation to become a *Partnership(s)* investor. **Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions regarding this conflict of interest.**

Private Investment Funds. Registrant may provide investment advice regarding unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

Structured Notes. The Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and

the note is held for more than one year. In the event that a client has any questions regarding the purchase of structured notes for his/her/its account the Registrant's Chief Investment Officer, Michael N. Mattise, remains available to address them.

Independent Managers. The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

Other Affiliations. Registrant's President, Edd H. Hyde, currently serves on the NewSpring Ventures II (now NewSpring Growth Capital II) Limited Partner Advisory Board, the Cross Atlantic Technology Fund Advisory Board and previously served on the TD Waterhouse Institutional Advisory Board (now TD Ameritrade). Part of serving on the board is/was gratis attendance at Advisory Board events. Registrant's Principal, Michael N. Mattise, served on the TIAA-CREF Advisor Board. Part of serving on the board was gratis attendance at Advisor Board events. None of the advisory board relationships is or were material when determining whether to recommend that a client utilize the services of TD Waterhouse (now TD Ameritrade) or TIAA-CREF or invest in Cross Atlantic Technology Fund or NewSpring Ventures II (now NewSpring Growth Capital II). **The Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Wealth Management Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Wealth Management Agreement or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.

- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2012, the Registrant had \$1,110,320,228 in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000	1.00%
Next \$1,000,000	0.80%
Next \$1,000,000	0.70%
Next \$1,000,000	0.60%
Next \$5,000,000	0.50%
Next \$5,000,000	0.40%
Over \$15,000,000	Negotiable

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$200 to \$600 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Financial Planning for Corporate Executives

Financial planning is also offered as "packaged" consulting service for corporate executives. Under this arrangement, a fixed fee for specific consulting projections within specific time parameters is established. Based on Registrant's experience, a reasonable guideline for Registrant's fee for this comprehensive service may be based on the

compensation level of a corporate executive. The compensation level is determined as the current base cash salary plus average of recent bonuses (or anticipated bonus) plus the “value” of long-term incentive package. Based on this level of compensation, the fee for the comprehensive consulting service may be estimated as:

<u>Total Compensation Level (Salary plus Incentive)</u>	<u>Fee for Executive Financial Planning Comprehensive Service</u>
Minimum	\$5,500
\$350,000	\$6,000
\$450,000	\$7,000
\$550,000	\$8,000
\$800,000	\$10,000
Above	\$12,000

Please Note: The Registrant uses the above fee schedule as a guideline as all fees are negotiable. The basis for negotiation may include several factors, such as: the relationship with the corporate organization, the complexity of the compensation package, the complexity of the client’s financial affairs, other professional advisors such as Certified Public Accountants and attorneys within the client’s team of advisors; the degree of sophistication of the client and prior experience with financial planning principles in practice.

TAX PREPARATION SERVICES

Registrant’s tax preparation fee generally ranges from \$800 - \$5,000 depending upon the level and scope of the tax return.

- B. Clients may elect to have the Registrant’s advisory fees deducted from their custodial account. Both Registrant's *Wealth Management Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant’s invoice. The Registrant shall deduct fees and/or bill clients semi-annually in advance, based upon the market value of the assets on the last business day of the previous half-year.
- C. As discussed below, unless the client directs otherwise or an individual client’s circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. (“*Schwab*”), TD Ameritrade (“*Ameritrade*”), Fidelity Investments (“*Fidelity*”), TIAA-CREF and/or Vanguard serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab*, *Ameritrade*, *Fidelity*, TIAA-CREF and Vanguard charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Registrant's annual investment advisory fee shall be prorated and paid semi-annually, in advance, based upon the market value of the assets on the last business day of the previous half-year. The Registrant generally requires an annual minimum fee of \$10,000 for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Wealth Management Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Wealth Management Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the semi-annual billing period.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant generally requires an annual minimum fee of \$10,000 for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Registrant blends a client's personal investment philosophy with the Registrant's investment approach to design a portfolio with which the client will be comfortable, but which also will achieve the client's goals and objectives. The Registrant's approach is a multi-asset, multi-manager investment process. It is based on asset allocation, diversification within asset classes, selection of individual managers (and their benchmarks), and continuous portfolio monitoring and management.

Investment implementation is enacted through a variety of vehicles, but primarily mutual funds and exchange traded funds. Each client receives a written Investment Policy Statement, which sets forth a recommended target allocation and acceptable allocation range.

Modern Portfolio Theory suggests that the overwhelming determinant of an investment strategy's variability (risk) over time is how assets are divided among the major asset classes. The major asset classes are cash, bonds, stocks, and real estate. A well designed portfolio can include each of these asset

classes, depending upon goals and objectives. Since each asset class has different risk and return characteristics, combining them in a portfolio provides greater stability. Because diversification can lower risk, it allows for the inclusion of asset classes that alone would be more volatile (such as small-cap stocks) but that as part of a diversified portfolio can provide the potential for higher returns.

- A. The Investment Policy Statement provides for investment in asset classes which the Registrant believes will provide an attractive combination of risk, return and correlation over the long-term (based on fundamental analysis of historical data using software such as Dimensional Fund Advisor's Returns and Morningstar). The investment advice is based on long-term investment strategies which incorporate the principles of Modern Portfolio Theory.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

The Registrant's investment strategy is primarily based on establishing a long-term target asset allocation and slightly overweighting or underweighting assets to reflect intermediate-term market expectations (based on primarily on fundamental mean-reversion expectations).

While stocks should outperform cash and bonds over the long-term, the return from stocks is more volatile. To moderate this volatility, investors can include lower-risk investments such as bonds. Bonds have historically tended to experience less market fluctuation than stocks, but with lower returns.

The Registrant believes portfolio management is a continuous process, requiring ongoing monitoring and reevaluation. The most important aspect of the continuity is the rebalancing and repositioning of the investment portfolio. The Registrant believes periodic rebalancing provides the discipline of selling a portion of the investments that have performed well and adding to the investments that have not performed as well, with the long-term expectation that each asset class will go through cycles where they overperform and underperform.

- C. The Registrant primarily allocates client investment assets among open end stock and bond mutual funds and exchange traded funds on a discretionary basis in accordance with the client's designated investment objectives and Investment Policy Statement. All investments have the potential to realize loss or principal.

Client portfolios can also include individual bonds via a separate account. While there are advantages to holding individual bonds (primarily the ability to hold until maturity), it also entails greater individual security risk and greater liquidity risk.

Client portfolios can also include structured notes (buffered return enhanced notes), with returns generally based upon broad indices such as the S&P 500 Index or the Dow Jones UBS Commodity Index. The intent is to provide attractive return potential with some buffer providing downside protection. However, in addition to the underlying index investment risk, structured notes also have counterparty risk through the issuing bank and are generally less liquid than traditional investments.

For qualified clients, portfolios can include limited partnerships that invest in hedge funds. While the object of utilizing hedge funds is to generate attractive returns with more moderate volatility than traditional equities, hedge funds have the potential to lose principal and have less liquidity than traditional stock and bond investments.

For qualified clients, portfolios can include limited partnerships that invest in real estate. Investment in real estate has the potential to lose principal and is generally illiquid.

For qualified clients, portfolios can include limited partnerships that invest in private equity. Private equity investments can exhibit volatility greater than public equity markets, and also have illiquidity risk.

The Registrant recognizes that all investments pose certain risks in exchange for potential return, such as the following:

Interest Rate Risk: fluctuations in interest rates may cause investment prices to fluctuate. For example, if interest rates rise, the value of bonds generally decline in value.

Market Risk: The price of a security (stock, bond, mutual fund, ETF) may decline in reaction to external factors, independent of a security's particular circumstances.

Inflation Risk: The risk of a decline in purchasing power of an asset due to rising prices.

Currency Risk: The risk of fluctuations in the value of the dollar versus foreign currencies (and thus indirectly vs. commodities and other assets).

Reinvestment Risk: The risk that future proceeds and/or income from an investment may have to be reinvested at a potentially lower rate of return.

Liquidity Risk: The risk that an investment cannot readily be converted to cash.

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
 - 5. **Indirect Ownership Interest in NATC.** Registrant's President, Edd H. Hyde, has a minority ownership interest in a savings and loan company, National Advisors Holdings, Inc. ("NAH") that has formed a federally chartered trust company,

National Advisors Trust Company (“NATC”). NAH and NATC are regulated by the Office of Thrift Supervision. The trust company intends to provide a low-cost alternative to traditional trust service providers, and the Registrant intends to refer clients to NATC for trust services.

- **Conflict of Interest:** The recommendation by Mr. Hyde that a client engage the trust services of NATC presents a ***conflict of interest***, as the receipt of residual compensation by Mr. Hyde, as an indirect owner of NATC, may provide an incentive to recommend NATC’s trust services, rather than on a particular client’s need. No client is obligated to engage NATC’s trust services and clients are reminded that they may engage the trust services of other, non-affiliated trust companies. **The Registrant’s Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

11. **Sponsor or Syndicator of Limited Partnerships.** The Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets among private investment partnerships formed by the Registrant (together, the “*Partnership(s)*”). The purpose of the Partnerships is to pool funds for the purpose of gaining access to investment opportunities that might otherwise be unavailable to the Registrant’s clients. The Registrant provides due diligence and administrative services to the *Partnerships*. The terms and conditions for participation in the *Partnership(s)*, including management fees, conflicts of interest, and risk factors, are set forth in each *Partnership’s* offering documents. **Registrant’s clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Conflict Of Interest. Because Registrant and/or its affiliates can earn compensation from the *Partnership(s)* that may exceed the fee that Registrant would earn under its standard asset based fee schedule referenced in Item 5 above, the recommendation that a client become a *Partnership(s)* investor presents a ***conflict of interest***. No client is under any obligation to become a *Partnership(s)* investor. **Registrant’s Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions regarding this conflict of interest.**

Please Also Note: Valuation. In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, Registrant has a financial interest in the *Partnership(s)*. Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *Partnership(s)*. The terms and conditions for participation in the *Partnership(s)*, including management fees, conflicts of interest, and risk factors, are set forth in the *Partnership(s)*' offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions regarding this conflict of interest.

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's employees. The Registrant's securities transaction policy requires that an employee of the Registrant must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an employee. Additionally, each employee must provide the Chief Compliance Officer with a written report of the employee's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one employee, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or Vanguard. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Wealth Management Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or Vanguard (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or Vanguard (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or Vanguard as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or Vanguard or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

The Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or *Vanguard*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or *Vanguard*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or *Vanguard* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab, Ameritrade, Fidelity, TIAA-CREF* and/or *Vanguard* or any other entity to invest

any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a semi-annual basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Wealth Management Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies for **mutual funds only** (It is the responsibility of clients to vote proxies for stocks.) (**However**, the client shall maintain exclusive responsibility for all legal

proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Stephanie R. Vermillion.

- B. As set forth in Item 17.A above, the Registrant (with the exception of individual stock) is responsible for voting client proxies. For those clients that the Registrant does not vote client proxies, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant requires or solicits fees of more than \$1,200, per client, six months or more in advance. The Registrant's balance sheet for its most recent fiscal year is attached to this Brochure.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Stephanie R. Vermillion, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.

RADNOR FINANCIAL ADVISORS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

RADNOR FINANCIAL ADVISORS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors
Radnor Financial Advisors, Inc.
Wayne, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Radnor Financial Advisors, Inc., (a Pennsylvania S Corporation) which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, statements of retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radnor Financial Advisors, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Elko & Associates Ltd

Plymouth Meeting, Pennsylvania
March 8, 2013

RADNOR FINANCIAL ADVISORS, INC.
BALANCE SHEETS

	DECEMBER 31,	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,749,265	\$ 1,476,284
Accounts receivable	60,844	302,868
Prepaid expenses	<u>53,827</u>	<u>35,649</u>
Total Current Assets	1,863,936	1,814,801
FIXED ASSETS, NET	12,048	9,261
OTHER ASSETS	<u>7,788</u>	<u>7,788</u>
TOTAL ASSETS	<u>\$ 1,883,772</u>	<u>\$ 1,831,850</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 857
Accrued expenses	88,581	90,130
Deferred income	335,345	313,298
Other payables	<u>4,417</u>	<u>5,407</u>
Total Current Liabilities	<u>428,343</u>	<u>409,692</u>
STOCKHOLDERS' EQUITY		
COMMON STOCK - \$1 par; 1,000 shares authorized, 100 shares issued and outstanding	1,136	1,136
ADDITIONAL PAID IN CAPITAL	430,533	430,533
RETAINED EARNINGS	<u>1,023,760</u>	<u>990,489</u>
Total Stockholders' Equity	<u>1,455,429</u>	<u>1,422,158</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,883,772</u>	<u>\$ 1,831,850</u>

The accompanying Notes are an integral part of these statements.

RADNOR FINANCIAL ADVISORS, INC.
STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,	
	2012	2011
EARNED REVENUES	\$ 4,039,649	\$ 3,956,842
COST OF EARNED REVENUES	<u>1,659,975</u>	<u>1,607,959</u>
GROSS PROFIT	2,379,674	2,348,883
GENERAL AND ADMINISTRATIVE EXPENSES	<u>904,117</u>	<u>972,484</u>
INCOME FROM OPERATIONS	<u>1,475,557</u>	<u>1,376,399</u>
OTHER INCOME (EXPENSE)		
Interest income	519	633
Miscellaneous income	10,000	9,782
Loss on disposal of fixed assets	<u>(326)</u>	<u>(799)</u>
Total Other Income (Expense), net	<u>10,193</u>	<u>9,616</u>
NET INCOME	<u>\$ 1,485,750</u>	<u>\$ 1,386,015</u>

The accompanying Notes are an integral part of these statements.

RADNOR FINANCIAL ADVISORS, INC.
STATEMENTS OF RETAINED EARNINGS

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2012</u>	<u>2011</u>
BALANCE - BEGINNING OF YEAR	\$ 990,489	\$ 786,545
NET INCOME	1,485,750	1,386,015
DISTRIBUTIONS TO STOCKHOLDERS	<u>(1,452,479)</u>	<u>(1,182,071)</u>
BALANCE - END OF YEAR	<u>\$ 1,023,760</u>	<u>\$ 990,489</u>

The accompanying Notes are an integral part of these statements.

RADNOR FINANCIAL ADVISORS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,485,750	\$ 1,386,015
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	3,615	12,679
Loss on disposal of fixed assets	326	799
(Increase) decrease in operating assets:		
Accounts receivable	242,024	(12,844)
Prepaid expenses	(18,178)	13,279
Increase (decrease) in operating liabilities:		
Accounts payable	(857)	677
Accrued expenses	(1,549)	32,753
Deferred income	22,047	23,268
Other payables	(990)	3,264
Net Cash Provided by Operating Activities	<u>1,732,188</u>	<u>1,459,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(6,728)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on capital leases	-	(7,441)
Distributions to stockholders	<u>(1,452,479)</u>	<u>(1,182,071)</u>
Net Cash Used in Financing Activities	<u>(1,452,479)</u>	<u>(1,189,512)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	272,981	270,378
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,476,284</u>	<u>1,205,906</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,749,265</u>	<u>\$ 1,476,284</u>

The accompanying Notes are an integral part of these statements.

RADNOR FINANCIAL ADVISORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A - Organization and Summary of Significant Accounting Policies

Nature of Operations - Radnor Financial Advisors Inc. (the "Company") is a closely held Pennsylvania S-Corporation and a registered investment advisor with the Securities and Exchange Commission, providing advisory and consulting services to individual clients.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting - The Company maintains its accounts on the accrual basis of accounting for financial statement purposes.

Cash and Cash Equivalents - Money market accounts and highly liquid investments, with an original maturity of three months or less, are included in cash equivalents.

Accounts Receivable - Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Accounts are charged off as they are deemed uncollectible based on management's periodic review of accounts over 90 days.

Fixed Assets - Capital additions are stated at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is provided using the straight-line method for financial reporting purposes over the estimated useful lives:

	<u>Range in Years</u>
Computer software	3
Office and computer equipment	5
Furniture and fixtures	7

Revenue Recognition - The Company provides investment advisory services to its clients on a fee basis based upon a percentage of the market value of assets placed under management by the Company. The Company bills clients semi-annually in advance and recognizes the revenue ratably over the semi-annual period. Deferred revenue is recorded for advisory fees billed in advance and not earned by the Company.

The Company also provides financial planning and tax preparation services which are recognized in revenue as the services are rendered.

Income Taxes - The Company has elected S-corporation status for federal and state income tax purposes. In lieu of corporate income taxes, the stockholders of an S-corporation include in their personal returns their proportionate share of the Company's taxable income or loss. Therefore, neither a provision for income taxes or a benefit from losses is required.

The federal income tax returns of the Company for 2009, 2010 and 2011 are subject to examination by the federal, state and local taxing jurisdictions, generally for three years after they were filed.

RADNOR FINANCIAL ADVISORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE B - Fixed Assets

	<u>2012</u>	<u>2011</u>
Office equipment, furniture & fixtures	\$ 43,175	39,997
Less: Accumulated depreciation	<u>31,127</u>	<u>30,736</u>
Net Fixed Assets	<u>\$ 12,048</u>	<u>\$ 9,261</u>

NOTE C - Retirement Savings Plan

The Company has an Internal Revenue Code Section 401(k) retirement savings plan and profit sharing plan (the "Plan") which provides for benefits to qualified employees who may make voluntary contributions to the Plan. The Plan also provides for discretionary employer matching contributions and additional discretionary profit sharing contributions. The Company contributed \$46,663 and \$43,579 to the Plan in profit sharing contributions during the years ended December 31, 2012 and 2011, respectively.

NOTE D - Operating Leases

The Company is obligated under noncancelable leases for office space and copier equipment which are accounted for as operating leases. Rental expense for the years ended December 31, 2012 and 2011 were \$119,178 and \$109,792, respectively.

Future minimum lease payments under the noncancelable leases are as follows:

2013	\$ 114,992
2014	109,333
2015	<u>71,946</u>
Total	<u>\$ 296,271</u>

NOTE E - Concentration of Credit Risk

The Company maintains cash balances at financial institutions in accounts insured by the Federal Deposit Insurance Corporation (FDIC insured). As of December 31, 2012, the uninsured balance was approximately \$1,060,255. The Company has not experienced any loss in such accounts. The Company believes it is not exposed to any significant credit risk on its cash balances.

NOTE F - Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 8, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RADNOR FINANCIAL ADVISORS, INC.
SCHEDULES OF COST OF EARNED REVENUES

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2012</u>	<u>2011</u>
Cost of Earned Revenues		
Officers compensation expense	\$ 1,265,644	\$ 1,216,927
Compensation expense - other	90,665	93,761
Consultant expense	110,969	97,037
Dues and subscriptions	17,874	19,731
Library expense	26,137	34,658
Professional development	18,088	18,633
Software expenses	37,417	43,832
Travel and entertainment	93,181	83,380
	<u>\$ 1,659,975</u>	<u>\$ 1,607,959</u>

RADNOR FINANCIAL ADVISORS, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	FOR THE YEARS ENDED DECEMBER 31,	
	2012	2011
General and Administrative Expenses		
Employee compensation expense	\$ 485,582	\$ 513,546
Contributions	7,350	4,800
Corporate taxes	13,075	19,418
Depreciation and amortization	3,615	12,679
Employee benefits	55,158	52,620
Insurance	31,566	26,242
Miscellaneous	747	1,977
Office supplies	29,262	30,798
Postage and delivery	20,968	21,176
Professional fees	35,711	56,683
Promotion and related costs	9,779	26,976
Recruiting	624	2,550
Reimbursed expenses	2,435	1,291
Rent buildings	104,133	102,713
Rent equipment	16,889	18,321
Repairs and maintenance	1,206	211
Retirement plan expense	46,663	43,579
Telephone and internet	39,354	36,904
	<u>\$ 904,117</u>	<u>\$ 972,484</u>