

**Hand Composite Employee Benefit Trust  
Hand Benefits & Trust Funds**

Independent Auditor's Report and Financial Statements

December 31, 2014



**Hand Composite Employee Benefit Trust**  
**December 31, 2014**

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## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of selected funds (HB&T Short Term Income Fund, HB&T Fixed Income Fund, HB&T Mid Cap Blend Index Fund, HB&T Large Cap 500 Index Fund, HB&T Large Cap Growth Index Fund and HB&T Large Cap Value Index Fund) [six funds] included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which comprise the statements of assets and liabilities, including the schedules of investments, as of December 31, 2014, and the related statements of operations and changes in net assets for the year 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 these selected funds included in the Hand Composite Employee Benefit Trust as of December 31, 2014, and the results of their operations and changes in their net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment purchases and sales listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements as a whole.

**BKD, LLP**

Houston, Texas  
June 5, 2015

# Hand Composite Employee Benefit Trust

## Statements of Assets and Liabilities – Selected Funds

### December 31, 2014

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
<b>Assets</b>				
Investments, at cost	\$ 39,089,947	\$ 4,052,117	\$ 3,288,161	\$ 3,185,329
Investments, at fair value	\$ 39,086,404	\$ 4,103,366	\$ 5,631,695	\$ 6,182,316
Receivable for:				
Capital shares sold	3,346	1,019	3	4,386
Dividends and interest	9,472	23,654	-	-
Total assets	<u>\$ 39,099,222</u>	<u>\$ 4,128,039</u>	<u>\$ 5,631,698</u>	<u>\$ 6,186,702</u>
<b>Liabilities</b>				
Withdrawals in excess of funds available	\$ -	\$ -	\$ -	\$ -
Payable for capital shares redeemed	4,152	-	-	-
Accounts payable and accrued liabilities	14,019	5,983	4,296	5,145
Total liabilities	<u>\$ 18,171</u>	<u>\$ 5,983</u>	<u>\$ 4,296</u>	<u>\$ 5,145</u>
Net assets held for participants:				
Class R1	\$ 39,081,051	\$ 4,122,056	\$ 5,186,418	\$ 6,181,536
Class R2	-	-	440,955	-
Class R3	-	-	29	21
Class R-INT	-	-	-	-
Total net assets held for participants	<u>\$ 39,081,051</u>	<u>\$ 4,122,056</u>	<u>\$ 5,627,402</u>	<u>\$ 6,181,557</u>
Units outstanding:				
Class R1	39,128,511	200,291	190,289	228,689
Class R2	-	-	21,647	-
Class R3	-	-	1	1
Class R-INT	-	-	-	-
Total units outstanding	<u>39,128,511</u>	<u>200,291</u>	<u>211,937</u>	<u>228,690</u>
Net asset value per unit:				
Class R1	<u>\$ 1.00</u>	<u>\$ 20.58</u>	<u>\$ 27.26</u>	<u>\$ 27.03</u>
Class R2	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20.37</u>	<u>\$ -</u>
Class R3	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29.22</u>	<u>\$ 20.80</u>
Class R-INT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Assets and Liabilities – Selected Funds (Continued)**  
**December 31, 2014**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Assets</b>		
Investments, at cost	\$ 1,014,845	\$ 353,173
Investments, at fair value	\$ 1,029,978	\$ 358,773
Receivable for:		
Capital shares sold	-	-
Dividends and interest	-	-
Total assets	\$ 1,029,978	\$ 358,773
<b>Liabilities</b>		
Withdrawals in excess of funds available	\$ 22,000	\$ 6,000
Payable for capital shares redeemed	-	-
Accounts payable and accrued liabilities	20	7
Total liabilities	\$ 22,020	\$ 6,007
Net assets held for participants:		
Class R1	\$ -	\$ -
Class R2	-	-
Class R3	-	-
Class R-INT	1,007,958	352,766
Total net assets held for participants	\$ 1,007,958	\$ 352,766
Units outstanding:		
Class R1	-	-
Class R2	-	-
Class R3	-	-
Class R-INT	99,464	34,825
Total units outstanding	99,464	34,825
Net asset value per unit:		
Class R1	\$ -	\$ -
Class R2	-	-
Class R3	-	-
Class R-INT	\$ 10.13	\$ 10.13

# Hand Composite Employee Benefit Trust

## Schedules of Investments

### HB&T Short Term Income Fund

December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investments</u></b>			
25,196	DWS Govt & Agency Securities Port Service Shares	\$ 25,196	\$ 25,196
5,304,801	Wells Fargo Advantage Heritage Fund	5,304,801	5,304,801
	Total Short Term Investments	13.64% <u>5,329,997</u>	<u>5,329,997</u>
<b><u>US Government Obligations</u></b>			
\$ 2,000,000	United States Treasury Notes 1.25% 10/31/2015	2,018,556	2,016,100
2,000,000	United States Treasury Notes .375% 06/30/2015	2,003,015	2,002,660
1,000,000	United States Treasury Notes .375% 08/31/2015	1,001,486	1,001,330
1,000,000	United States Treasury Notes .25% 09/30/2015	1,000,886	1,000,310
	Total US Government Obligations	15.40% <u>6,023,943</u>	<u>6,020,400</u>
<b><u>Commercial Paper</u></b>			
2,000,000	ABN/AMRO Funding A1/p1 03/05/2015	1,999,388	1,999,388
2,000,000	Abbey Natl North America Llc A1/p1 01/05/2015	1,999,658	1,999,658
2,000,000	Bank Of Tokyo-mitsubishi Ufj A1/p1 03/30/2015	1,999,252	1,999,252
1,000,000	Campbell Soup Co A2/p2 01/28/2015	999,600	999,600
2,000,000	Crown Point Capital Funding A1/p1 02/09/2015	1,999,335	1,999,335
2,000,000	Duke Energy Corp A2/p2 01/21/2015	1,999,100	1,999,100
2,000,000	Lexington Parker Capital Llc A1/p1 01/12/2015	1,999,504	1,999,504
2,000,000	Mitsubishi Ufj Trust & Bank Ny A1/p1 03/13/2015	1,999,277	1,999,277
1,000,000	Nissan Motor Acceptance Corp A2/p2 01/15/2015	999,482	999,482
2,000,000	Time Warner Cable A2/p2 01/05/2015	1,999,081	1,999,081
	Total Commercial Paper	46.04% <u>17,993,677</u>	<u>17,993,677</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Short Term Income Fund (Continued)**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<i><u>Guaranteed Investment Contracts</u></i>			
4,795,282	Fortis Institutional Income Plus Fund #711	\$ 4,795,282	\$ 4,795,282
4,947,048	Union Bond & Trust Co Stable Value Fund	4,947,048	4,947,048
	Total Guaranteed Investment Contracts	24.92% <u>9,742,330</u>	<u>9,742,330</u>
	Total Investments	100.00% <u>\$ 39,089,947</u>	<u>\$ 39,086,404</u>



**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Fixed Income Fund**  
**December 31, 2014**

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investments</u></b>			
605	Cash Force Bank Insured Deposit Fund	\$ 605	\$ 605
	Total Short Term Investments	0.01% <u>605</u>	<u>605</u>
<b><u>US Government Obligations</u></b>			
\$ 200,000	United States Treasury Notes 2.125% 05/31/2015	201,322	201,680
200,000	United States Treasury Notes 1.375% 11/30/2015	201,311	202,039
	Total US Government Obligations	9.84% <u>402,633</u>	<u>403,719</u>
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
300,000	Anheuser Busch Co Inc 5% 03/01/2019	295,797	333,564
	Total Consumer Discretionary	8.13% <u>295,797</u>	<u>333,564</u>
<b><u>Consumer Staples</u></b>			
200,000	H.J. Heinz Company 1.5% 03/01/2017	200,094	196,000
300,000	Kraft Foods Group Inc Sr Unsecured Ser 144a 1.625% 06/04/2015	300,909	300,539
200,000	Pepsico Inc Sr Unsecured Debt .75% 03/05/2015	200,069	200,142
	Total Consumer Staples	16.98% <u>701,072</u>	<u>696,681</u>
<b><u>Energy</u></b>			
300,000	Kinder Morgan Energy Partners 3.5% 03/01/2016	306,399	306,918
	Total Energy	7.48% <u>306,399</u>	<u>306,918</u>
<b><u>Financials</u></b>			
300,000	Berkshire Hathaway Inc 1.9% 01/31/2017	303,929	304,752
350,000	General Electric Capital Corp 2.3% 04/27/2017	351,797	358,390
300,000	Merrill Lynch & Co Inc 5% 01/15/2015	299,763	300,000
200,000	Metlife Inc 6.75% 06/01/2016	212,611	215,774
	Total Financials	28.73% <u>1,168,100</u>	<u>1,178,916</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Fixed Income Fund (Continued)**  
**December 31, 2014**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Utilities</i>			
\$ 200,000	Consolidated Edison Co of NY 5.3% 12/01/2016	\$ 215,204	\$ 215,619
	Total Utilities	5.25% <u>215,204</u>	<u>215,619</u>
	Total Corporate Bonds	66.57% <u>2,686,572</u>	<u>2,731,698</u>
<u><i>Exchange-traded Fund</i></u>			
<i>Fixed Income</i>			
2,103	iShares Barclays Tips Bond Fund	234,698	235,557
	Total Fixed Income	5.74% <u>234,698</u>	<u>235,557</u>
	Total Exchange-traded Fund	5.74% <u>234,698</u>	<u>235,557</u>
<u><i>Common Trust Funds</i></u>			
<i>Fixed Income</i>			
15,435	Blackrock US Debt Index Fund T	160,024	161,430
24,175	Blackrock 1-3 Year Govt Bond Index Fund F	455,475	458,249
112,110	HB&T Short Term Income Fund	112,110	112,108
	Total Fixed Income	17.84% <u>727,609</u>	<u>731,787</u>
	Total Common Trust Funds	17.84% <u>727,609</u>	<u>731,787</u>
	Total Investments	100.00% <u>\$ 4,052,117</u>	<u>\$ 4,103,366</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Mid Cap Blend Index Fund**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<u><i>Common Trust Funds</i></u>			
<i>Fixed Income</i>			
205,063	HB&T Short Term Income Fund	\$ 205,063	\$ 205,063
	Total Fixed Income	3.64% <u>205,063</u>	<u>205,063</u>
<i>Equity</i>			
151,651	Blackrock Midcap Equity Index Fund K	3,083,098	5,426,632
	Total Equity	96.36% <u>3,083,098</u>	<u>5,426,632</u>
	Total Common Trust Funds	100.00% <u>3,288,161</u>	<u>5,631,695</u>
	Total Investments	100.00% <u>\$ 3,288,161</u>	<u>\$ 5,631,695</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap 500 Index Fund**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
233,104	HB&T Short Term Income Fund	\$ 233,104	\$ 233,104
	Total Fixed Income	3.77% <u>233,104</u>	<u>233,104</u>
<i>Equity</i>			
78,136	Blackrock Midcap Equity Index Fund K	2,952,225	5,949,212
	Total Equity	96.23% <u>2,952,225</u>	<u>5,949,212</u>
	Total Common Trust Funds	100.00% <u>3,185,329</u>	<u>6,182,316</u>
	Total Investments	100.00% <u>\$ 3,185,329</u>	<u>\$ 6,182,316</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap Growth Index Fund**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Fund</u></i>			
<i>Equity</i>			
61,065	Blackrock Russell 1000 Growth Fund F	\$ 1,014,845	\$ 1,029,978
	Total Equity	<u>100.00%</u> 1,014,845	<u>1,029,978</u>
	Total Common Trust Fund	<u>100.00%</u> 1,014,845	<u>1,029,978</u>
	Total Investments	<u>100.00%</u> \$ 1,014,845	<u>\$ 1,029,978</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap Value Index Fund**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Fund</u></i>			
<i>Equity</i>			
14,245	Blackrock Russell 1000 Growth Fund F	\$ 353,173	\$ 358,773
	Total Equity	<u>100.00% 353,173</u>	<u>358,773</u>
	Total Common Trust Fund	<u>100.00% 353,173</u>	<u>358,773</u>
	Total Investments	<u>100.00% \$ 353,173</u>	<u>\$ 358,773</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Operations – Selected Funds**  
**Year Ended December 31, 2014**

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
<b>Income</b>				
Interest	\$ 101,701	\$ 71,336	\$ -	\$ -
Dividends	-	4,316	97	94
Total income	<u>101,701</u>	<u>75,652</u>	<u>97</u>	<u>94</u>
<b>Expenses</b>				
Investment management and administrative	73,044	30,605	-	-
Class R1 expenses	-	-	15,390	19,299
Class R2 expenses	-	-	11,989	-
Class R3 expenses	-	-	358	-
Other fees	271	226	-	-
Audit	7,500	3,500	2,752	3,500
Total expenses	<u>80,815</u>	<u>34,331</u>	<u>30,489</u>	<u>22,799</u>
<b>Net Investment Income (Loss)</b>	<u>20,886</u>	<u>41,321</u>	<u>(30,392)</u>	<u>(22,705)</u>
<b>Net Realized and Unrealized Gains (Losses)</b>				
<b>on Investments</b>				
Net realized gain on investments	5,028	16,364	1,953,864	771,376
Net change in unrealized appreciation/ depreciation on investments	<u>(2,653)</u>	<u>(10,111)</u>	<u>(1,226,911)</u>	<u>52,634</u>
Net realized and unrealized gains	<u>2,375</u>	<u>6,253</u>	<u>726,953</u>	<u>824,010</u>
<b>Net Increase in Net Assets Resulting From Operations</b>	<u>\$ 23,261</u>	<u>\$ 47,574</u>	<u>\$ 696,561</u>	<u>\$ 801,305</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Operations – Selected Funds (Continued)**  
**Year Ended December 31, 2014**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Income</b>		
Interest	\$ -	\$ -
Dividends	-	-
Total income	0	0
<b>Expenses</b>		
Investment management and administrative	33	11
Class R1 expenses	-	-
Class R2 expenses	-	-
Class R3 expenses	-	-
Other fees	-	-
Audit	-	-
Total expenses	33	11
<b>Net Investment Loss</b>	(33)	(11)
<b>Net Realized and Unrealized Gains on Investments</b>		
Net realized gain on investments	858	177
Net change in unrealized appreciation/ depreciation on investments	15,133	5,600
Net realized and unrealized gains	15,991	5,777
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 15,958	\$ 5,766



**Hand Composite Employee Benefit Trust**  
**Statements of Changes in Net Assets – Selected Funds**  
**Year Ended December 31, 2014**

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
<b>Operations</b>				
Net investment income (loss)	\$ 20,886	\$ 41,321	\$ (30,392)	\$ (22,705)
Net realized gains	5,028	16,364	1,953,864	771,376
Change in unrealized appreciation/depreciation	<u>(2,653)</u>	<u>(10,111)</u>	<u>(1,226,911)</u>	<u>52,634</u>
Net increase in net assets from operations	23,261	47,574	696,561	801,305
<b>Distributions</b>				
Net investment income	(20,980)	-	-	-
<b>Net Increase (Decrease) in Net Assets From Participant Unit Transactions</b>	<u>2,112,248</u>	<u>(547,803)</u>	<u>(3,608,955)</u>	<u>(1,405,803)</u>
<b>Increase (Decrease) in Net Assets</b>	2,114,529	(500,229)	(2,912,394)	(604,498)
<b>Net Assets</b>				
Beginning of year	<u>36,966,522</u>	<u>4,622,285</u>	<u>8,539,796</u>	<u>6,786,055</u>
End of year	<u>\$ 39,081,051</u>	<u>\$ 4,122,056</u>	<u>\$ 5,627,402</u>	<u>\$ 6,181,557</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Changes in Net Assets – Selected Funds (Continued)**  
**Year Ended December 31, 2014**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Operations</b>		
Net investment loss	\$ (33)	\$ (11)
Net realized gains	858	177
Change in unrealized appreciation/depreciation	15,133	5,600
Net increase in net assets from operations	15,958	5,766
<b>Distributions</b>		
Net investment income	-	-
<b>Net Increase in Net Assets From Participant Unit Transactions</b>	<b>992,000</b>	<b>347,000</b>
<b>Increase in Net Assets</b>	<b>1,007,958</b>	<b>352,766</b>
<b>Net Assets</b>		
Beginning of year	-	-
End of year	\$ 1,007,958	\$ 352,766

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 91 portfolios (the Funds); the financial statements of six of those funds are included in this report.

For those funds with more than one class of units, each class has equal rights as to earnings and assets except that each class bears different distribution, shareholder servicing and transfer-agent expenses. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of units based on its relative net assets.

In March 2014, the Center Coast MLP Collective Fund was closed. In November 2014, the HB&T Large Cap Growth Index Fund and the HB&T Large Cap Value Index Fund were funded.

#### *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 investment income and expenses during the reporting period. Actual results could differ from those estimates.

#### *Investment Valuation*

All investments in securities are recorded at their estimated fair value. Transfers in and out of Level 1 (quoted market prices), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

#### *Investment Transactions*

Investment transactions are recorded on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are determined using the identified cost basis.

#### *Investment Income and Distribution of Income*

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. Investment income is allocated ratably on the valuation dates among all participants. Distributions to participants in the HB&T Short Term Income Fund are accrued

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

as of each valuation date and are distributed to participants on the first business day after month-end. No distributions are made to participants in the remaining funds until units owned are redeemed, at which time the market value of redeemed units is distributed. Investment income and realized gains (if any) earned by these other funds are reinvested, thereby increasing the respective unit values.

### ***Valuation of Participants' Interest***

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. All Funds are valued daily. The HB&T Short Term Income Fund is managed so as to maintain a unit value of \$1 per unit.

### ***Federal Income Taxes***

The Funds comply with the requirements under Section 501(a) of the IRC and apportion all of their taxable income to their participants. Therefore, no federal income tax provision is required.

### ***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

### ***Investment Management Advisors***

The investment management advisors for each Fund are as follows:

<b>Fund</b>	<b>Investment Management Advisors</b>
HB&T Short Term Income Fund	HB&T
HB&T Fixed Income Fund	HB&T
HB&T Mid Cap Blend Index Fund	HB&T
HB&T Large Cap 500 Index Fund	HB&T
HB&T Large Cap Growth Index Fund	HB&T
HB&T Large Cap Value Index Fund	HB&T

## **Note 2: Investment Advisory Fees and Other Transactions With Affiliates**

The Funds are charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer-agency services, trustee services, etc.). The Funds have also entered into investment advisory and service agreements with various third-party advisors. These fees compensate the advisors for the services they provide and for expenses borne by the advisors under the various agreements.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

The following tables indicate the fees charged each of the funds and the various classes of units within the funds (as a percentage of net assets). These charges are calculated using each fund's average daily net assets.

Fund	Administrative Fees	Investment Advisory Fees	Service Fees	Other Fees	Total Fees
HB&T Short Term Income Fund	0.2000%	0.0000%	0.0000%	0.0000%	0.2000%
HB&T Fixed Income Fund	0.1500%	0.5000%	0.0000%	0.0000%	0.6500%
HB&T Mid Cap Blend Index Fund:					
Class R1	0.1000%	0.1000%	0.1000%	0.0000%	0.3000%
Class R2	0.1750%	0.1750%	0.2500%	0.0000%	0.6000%
Class R3	0.2500%	0.2500%	0.5000%	0.0000%	1.0000%
HB&T Large Cap 500 Index Fund:					
Class R1	0.1000%	0.1000%	0.1000%	0.0000%	0.3000%
Class R2	0.1750%	0.1750%	0.2500%	0.0000%	0.6000%
Class R3	0.2500%	0.2500%	0.5000%	0.0000%	1.0000%
HB&T Large Cap Growth Index Fund:					
Class R-INT	0.0025%	0.0200%	0.0000%	0.0000%	0.0225%
HB&T Large Cap Value Fund:					
Class R-INT	0.0025%	0.0200%	0.0000%	0.0000%	0.0225%

### Note 3: Financial Highlights

	Class R1			
	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
Net asset value, beginning of year	\$ 1.00	\$ 20.38	\$ 24.95	\$ 23.93
Net investment income (loss)	0.00	0.18	(0.09)	(0.09)
Net realized and unrealized gains (losses)	0.00	0.02	2.40	3.19
Net increase (decrease) from operations	0.00	0.20	2.31	3.10
Distributions from net investment income	0.00	0.00	0.00	0.00
Net asset value, end of year	\$ 1.00	\$ 20.58	\$ 27.26	\$ 27.03
Total return	0.06%	0.98%	9.26%	12.95%
Ratio to average net assets:				
Net investment income (loss)	0.06%	0.89%	(0.34)%	(0.35)%
Expenses	0.22%	0.74%	0.35%	0.35%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

	<b>Class R2</b>	<b>Class R3</b>	
	<b>HB&amp;T Mid Cap Blend Index Fund</b>	<b>HB&amp;T Mid Cap Blend Index Fund</b>	<b>HB&amp;T Large Cap 500 Index Fund</b>
Net asset value, beginning of year	\$ 18.69	\$ 24.54	\$ 18.35
Net investment loss	(0.12)	(0.26)	(0.01)
Net realized and unrealized gains	1.80	4.94	2.46
Net increase from operations	1.68	4.68	2.45
Net asset value, end of year	<u>\$ 20.37</u>	<u>\$ 29.22</u>	<u>\$ 20.80</u>
Total return	8.99%	19.07%	13.35%
Ratio to average net assets:			
Net investment loss	(0.60)%	(1.02)%	(0.08)%
Expenses	0.60%	1.02%	0.08%
		<b>Class R-INT</b>	
		<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
Net asset value, beginning of year		\$ 10.00	\$ 10.00
Net investment loss		-	-
Net realized and unrealized gains		0.13	0.13
Net increase from operations		0.13	0.13
Net asset value, end of year		<u>\$ 10.13</u>	<u>\$ 10.13</u>
Total return		1.30%	1.30%
Ratio to average net assets:			
Net investment loss		(0.00)%	(0.00)%
Expenses		0.00%	0.00%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2014

#### Note 4: Participant Unit Transactions

	HB&T Short Term Income Fund		HB&T Fixed Income Fund		HB&T Mid Cap Blend Index Fund		HB&T Large Cap 500 Index Fund																					
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars																				
<b>Class R1:</b>																												
Proceeds from sales of units	269,580,734	\$ 269,580,734	115,374	\$ 2,365,354	19,767	\$ 513,687	26,293	\$ 659,531																				
Cost of units redeemed	(267,468,486)	(267,468,486)	(141,920)	(2,913,157)	(34,125)	(881,047)	(81,211)	(2,065,334)																				
Net increase (decrease) in Class R1 from participant transactions	2,112,248	\$ 2,112,248	(26,546)	\$ (547,803)	(14,358)	(367,360)	(54,918)	\$ (1,405,803)																				
<b>Class R2:</b>																												
Proceeds from sales of units					25,338	484,111																						
Cost of units redeemed					(186,684)	(3,709,063)																						
Net decrease in Class R2 from participant transactions					(161,346)	(3,224,952)																						
<b>Class R3:</b>																												
Proceeds from sales of units					1,575	39,555																						
Cost of units redeemed					(2,139)	(56,198)																						
Net decrease in Class R3 from participant transactions					(564)	(16,643)																						
Net increase (decrease) in total net assets from participant transactions		\$ 2,112,248		\$ (547,803)		\$ (3,608,955)		\$ (1,405,803)																				
<table border="1" style="margin-left: auto;"> <thead> <tr> <th colspan="2">HB&amp;T Large Cap Growth Index Fund</th> <th colspan="2">HB&amp;T Large Cap Value Index Fund</th> </tr> <tr> <th>Units</th> <th>Dollars</th> <th>Units</th> <th>Dollars</th> </tr> </thead> <tbody> <tr> <td>106,076</td> <td>\$ 1,059,000</td> <td>36,903</td> <td>\$ 368,000</td> </tr> <tr> <td>(6,606)</td> <td>(67,000)</td> <td>(2,078)</td> <td>(21,000)</td> </tr> <tr> <td>99,470</td> <td>\$ 992,000</td> <td>34,825</td> <td>\$ 347,000</td> </tr> </tbody> </table>									HB&T Large Cap Growth Index Fund		HB&T Large Cap Value Index Fund		Units	Dollars	Units	Dollars	106,076	\$ 1,059,000	36,903	\$ 368,000	(6,606)	(67,000)	(2,078)	(21,000)	99,470	\$ 992,000	34,825	\$ 347,000
HB&T Large Cap Growth Index Fund		HB&T Large Cap Value Index Fund																										
Units	Dollars	Units	Dollars																									
106,076	\$ 1,059,000	36,903	\$ 368,000																									
(6,606)	(67,000)	(2,078)	(21,000)																									
99,470	\$ 992,000	34,825	\$ 347,000																									
<b>Class R-INT:</b>																												
Proceeds from sales of units					106,076	\$ 1,059,000	36,903	\$ 368,000																				
Cost of units redeemed					(6,606)	(67,000)	(2,078)	(21,000)																				
Net increase in Class R-INT from participant transactions					99,470	\$ 992,000	34,825	\$ 347,000																				

#### Note 5: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

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

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of assets and liabilities, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

**Short Term Investments.** Short term investments, including money market funds and commercial paper, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

**Commercial Paper.** Commercial paper with remaining maturities of 60 days or less for which quotations are not readily available are valued at amortized cost, which approximates fair value and are categorized as Level 2 in the hierarchy.

**Traditional Guaranteed Investment Contracts (GICs).** The traditional GICs' contract rates are used as the discount rate in the present value calculation for traditional GIC contracts that have a duration of one year or less and for cash flows that occur within 12 months. The rationale for using the contract rate as the discount rate is 1) there are no published one-year market GIC rates; 2) a cash flow maturity or contract duration within one year should be considered near term assets with a high certainty of realizing book value, hence present value should equal book value. Traditional GICs are categorized as Level 2 within the valuation hierarchy.

**U.S. Government Obligations.** U.S. Government obligations are valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. U.S. Government obligations are categorized as Level 2 in the hierarchy.

**Equity Securities (Common and Preferred Stock), Mutual Funds and Exchange-traded Funds.** Securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

**Corporate Bonds.** The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds are categorized as Level 2 in the hierarchy.

**Common Trust Funds.** Common trust fund investments are valued using net asset value of those funds and are included as Level 2 in the hierarchy.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2014

The following tables present the fair value measurements of assets recognized in the accompanying statements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014.

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>HB&amp;T Short Term Income Fund</b>				
Short Term Investments	\$ 5,329,997	\$ 5,329,997	\$ -	\$ -
US Government Obligations	6,020,400	-	6,020,400	-
Commercial Paper	17,993,677	-	17,993,677	-
Guaranteed Investment Contracts	9,742,330	-	9,742,330	-
Total	<u>\$ 39,086,404</u>	<u>\$ 5,329,997</u>	<u>\$ 33,756,407</u>	<u>\$ 0</u>
<b>HB&amp;T Fixed Income Fund</b>				
Short Term Investments	\$ 605	\$ 605	\$ -	\$ -
US Government Obligations	403,719	-	403,719	-
Corporate Bonds	2,731,698	-	2,731,698	-
Exchange-traded Fund: Fixed Income	235,557	235,557	-	-
Common Trust Funds: Fixed Income	731,787	-	731,787	-
Total	<u>\$ 4,103,366</u>	<u>\$ 236,162</u>	<u>\$ 3,867,204</u>	<u>\$ 0</u>
<b>HB&amp;T Mid Cap Blend Index Fund</b>				
Common Trust Funds: Fixed Income	\$ 205,063	\$ -	\$ 205,063	\$ -
Common Trust Funds: Equity	5,426,632	-	5,426,632	-
Total	<u>\$ 5,631,695</u>	<u>\$ 0</u>	<u>\$ 5,631,695</u>	<u>\$ 0</u>
<b>HB&amp;T Large Cap 500 Index Fund</b>				
Common Trust Funds: Fixed Income	\$ 233,104	\$ -	\$ 233,104	\$ -
Common Trust Funds: Equity	5,949,212	-	5,949,212	-
Total	<u>\$ 6,182,316</u>	<u>\$ 0</u>	<u>\$ 6,182,316</u>	<u>\$ 0</u>

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2014**

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>HB&amp;T Large Cap Growth Index Fund</b>				
Common Trust Fund: Equity	\$ 1,029,978	\$ -	\$ 1,029,978	\$ -
Total	<u>\$ 1,029,978</u>	<u>\$ 0</u>	<u>\$ 1,029,978</u>	<u>\$ 0</u>
<b>HB&amp;T Large Cap Value Index Fund</b>				
Common Trust Fund: Equity	\$ 358,773	\$ -	\$ 358,773	\$ -
Total	<u>\$ 358,773</u>	<u>\$ 0</u>	<u>\$ 358,773</u>	<u>\$ 0</u>

**Note 6: Risk Factors**

The Funds invest in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of assets and liabilities.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds**  
**HB&T Short Term Income Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Commercial Paper	\$ 85,977,025
Guaranteed Investment Contracts	68,575
US Government Obligations	14,074,000
Total Investments Purchased	\$ 100,119,600

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
US Government Obligations	\$ 10,021,659	\$ 10,016,631	\$ 5,028
Total Investments Sold	\$ 10,021,659	\$ 10,016,631	\$ 5,028

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Fixed Income Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Funds - Fixed Income	\$ 1,329,403
Common Trust Funds - Money Market	3,391,879
Exchange-traded Funds - Fixed Income	49,990
Total Investments Purchased	\$ 4,771,272

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Trust Funds - Fixed Income	\$ 4,333,052	\$ 4,312,525	\$ 20,527
Exchange-traded Funds - Fixed Income	150,087	154,250	(4,163)
Total Investments Sold	\$ 4,483,139	\$ 4,466,775	\$ 16,364

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Mid Cap Blend Index Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Funds - Equity	\$ 250,000
Common Trust Funds - Fixed Income	1,537,845
	1,537,845
Total Investments Purchased	\$ 1,787,845

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Funds - Fixed Income	\$ 1,521,406	\$ 1,521,406	\$ -
Common Trust Funds - Equity	3,900,539	1,946,675	1,953,864
	3,900,539	1,946,675	1,953,864
Total Investments Sold	\$ 5,421,945	\$ 3,468,081	\$ 1,953,864

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap 500 Index Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Funds - Equity	\$ 100,000
Common Trust Funds - Fixed Income	610,603
	710,603
Total Investments Purchased	\$ 710,603

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Funds - Fixed Income	\$ 527,234	\$ 527,234	\$ -
Common Trust Funds - Equity	1,612,032	840,656	771,376
	2,139,266	1,367,890	771,376
Total Investments Sold	\$ 2,139,266	\$ 1,367,890	\$ 771,376

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap Growth Index Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Fund - Equity	\$ 1,056,000
Total Investments Purchased	\$ 1,056,000

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Fund - Equity	\$ 42,013	\$ 41,155	\$ 858
Total Investments Sold	\$ 42,013	\$ 41,155	\$ 858



**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap Value Index Fund**  
**Year Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Fund - Equity	\$ 367,000
Total Investments Purchased	\$ 367,000

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Fund - Equity	\$ 14,004	\$ 13,827	\$ 177
Total Investments Sold	\$ 14,004	\$ 13,827	\$ 177