

**Hand Composite Employee
Benefit Trust**

**Compass Capital High
Quality Equity CIF**

**Independent Auditor's Report
and Financial Statements**

December 31, 2022



Hand Composite Employee Benefit Trust
December 31, 2022

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Independent Auditor's Report

To the Unitholders and Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

Opinion

We have audited the financial statements of the selected fund, Compass Capital High Quality Equity CIF, included in the Hand Composite Employee Benefit Trust, which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2022, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the selected fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2022, and the results of its operations and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Hand Composite Employee Benefit Trust and the selected fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as going concerns within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hand Composite Employee Benefit Trust's and the selected fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as going concerns for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the selected fund's basic financial statements. The schedule of investment purchases and sales listed in the table of contents 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 basic 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 basic financial statements or to the basic 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.

FORVIS,LLP

Houston, Texas
May 26, 2023

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2022

	Compass Capital High Quality Equity CIF
Assets	
Investments, at cost	\$ 3,349,816
Investments, at fair value	\$ 2,967,860
Receivable for:	
Investment securities sold	45,983
Custody expenses reimbursed	410
Capital shares sold	4,953
Dividends and interest	3,338
Total assets	<u>\$ 3,022,544</u>
Liabilities	
Payable for capital shares redeemed	\$ 357
Accounts payable and accrued liabilities	2,193
Total liabilities	<u>\$ 2,550</u>
Net assets held for participants:	
Class R1	<u>\$ 3,019,994</u>
Total net assets held for participants	<u>\$ 3,019,994</u>
Units outstanding:	
Class R1	<u>330,287</u>
Total units outstanding	<u>330,287</u>
Net asset value per unit:	
Class R1	<u>\$ 9.14</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
Compass Capital High Quality Equity CIF
December 31, 2022

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
557	Schwab Adv Cash Reserves Premium	\$ 557	\$ 557
	Total Short Term Investment	0.02% 557	557
<u>Common Stock</u>			
<u>Consumer Discretionary</u>			
1,353	Disney Walt	162,841	117,549
	Total Consumer Discretionary	3.96% 162,841	117,549
<u>Consumer Staples</u>			
1,273	CVS Health Corp	127,639	118,631
1,457	Church & Dwight Co Inc	133,061	117,449
831	Wal-Mart Stores Inc	113,848	117,827
	Total Consumer Staples	11.92% 374,548	353,907
<u>Financials</u>			
1,142	Intercontinental Exchange Inc	135,967	117,158
	Total Financials	3.95% 135,967	117,158
<u>Healthcare</u>			
667	Johnson & Johnson Corporation	113,053	117,826
481	Stryker Corp	111,945	117,600
214	Thermo Fisher Scientific Inc	125,353	117,848
	Total Healthcare	11.90% 350,351	353,274
<u>Industrials</u>			
444	Danaher Corp	124,914	117,846
1,118	Expeditors Intl Wash Inc	124,913	116,183
2,490	Fastenal Company	140,554	117,827
673	FedEx Corporation	138,330	116,564
532	Illinois Tool Works Inc	117,794	117,200
274	Roper Industries Inc	121,564	118,393
	Total Industrials	23.72% 768,069	704,013

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Compass Capital High Quality Equity CIF (Continued)
December 31, 2022

Number of Shares		Cost	Fair Value
<i>Information Technology</i>			
1,350	Alphabet Inc	\$ 166,343	\$ 119,111
1,543	Amphenol Corp Cl A	114,244	117,484
2,080	Cognizant Tech Solutions Corp	155,045	118,955
1,169	Fiserv Inc	120,804	118,151
496	Microsoft Corporation	145,427	118,951
1,075	Qualcomm Inc	163,260	118,186
570	Visa Inc Cl A	120,064	118,423
	Total Information Technology	27.94% <u>985,187</u>	<u>829,261</u>
<i>Materials</i>			
806	Ecolab Inc	155,169	117,321
493	Sherwin-Williams Company	132,583	117,004
	Total Materials	7.90% <u>287,752</u>	<u>234,325</u>
	Total Common Stock	91.29% <u>3,064,715</u>	<u>2,709,487</u>
<i>Foreign Stock</i>			
<i>Information Technology</i>			
438	Accenture Plc	148,980	116,871
942	Check Point Software Tech Ltd	113,462	118,843
	Total Information Technology	7.95% <u>262,442</u>	<u>235,714</u>
	Total Foreign Stock	7.95% <u>262,442</u>	<u>235,714</u>
<i>Common Trust Fund</i>			
<i>Fixed Income</i>			
22,102	HB&T Short Term Income Fund	22,102	22,102
	Total Fixed Income	0.74% <u>22,102</u>	<u>22,102</u>
	Total Common Trust Fund	0.74% <u>22,102</u>	<u>22,102</u>
	Total Investments	100.00% <u>\$ 3,349,816</u>	<u>\$ 2,967,860</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2022

	Compass Capital High Quality Equity CIF
Income	
Dividends	\$ 32,904
Interest	4
Total income	32,908
Expenses	
Investment management and administrative	16,176
Custody fees	2,100
Other fees	720
Total expenses before expense reimbursement	18,996
Expense reimbursement	(1,280)
Total expenses after expense reimbursement	17,716
Net Investment Income	15,192
Net Realized and Unrealized Losses on Investments	
Net realized losses on investments	(102,307)
Net change in unrealized appreciation/depreciation on investments	(445,470)
Net realized and unrealized losses	(547,777)
Net Decrease in Net Assets Resulting From Operations	\$ (532,585)

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2022

	Compass Capital High Quality Equity CIF
Operations	
Net investment income	\$ 15,192
Net realized losses	(102,307)
Change in unrealized appreciation/depreciation	<u>(445,470)</u>
Net decrease in net assets from operations	(532,585)
Net Increase in Net Assets From Participant Transactions	<u>1,440,800</u>
Increase in Net Assets	908,215
Net Assets	
Beginning of year	<u>2,111,779</u>
End of year	<u><u>\$ 3,019,994</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2022

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 71 funds (the Funds); the financial statements of one 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.

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. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the Fund

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2022

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 the Fund is 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. The Fund is valued daily.

Federal Income Taxes

The Fund complies with the requirements under Section 501(a) of the IRC and apportions all of its taxable income to its participants. Therefore, no federal income tax provision is required.

Subsequent Events

Subsequent events have been evaluated through May 26, 2023, which is the date the financial statements were available to be issued.

Investment Management Advisor

The investment management advisor for the Fund is Hand Benefits and Trust Company.

Note 2: Investment Advisory Fees and Other Transactions with Affiliates

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund has 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.

During the year ended December 31, 2022, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

The following table indicates the fees charged to the Fund and the various classes of units within the Fund (as a percentage of net assets). These charges are calculated using the Fund's average daily net assets:

Fund	Administrative Fees	Investment Advisory Fees	Custody Fees	Other Fees	Total Fees
Compass Capital High Quality Equity CIF: Class R1	0.08%	0.50%	0.03%	0.08%	0.69%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2022

Note 3: Financial Highlights

	Class R1
	Compass
	Capital
	High Quality
	Equity CIF
	Equity CIF
Net asset value, beginning of year	\$ 11.17
Net investment income	0.05
Net realized and unrealized losses	(2.08)
Net decrease from investment operations	(2.03)
Net asset value, end of year	\$ 9.14
Total return	(18.14)%
Ratio to average net assets:	
Net investment income	0.54%
Expenses before reimbursement	0.67%
Expenses after reimbursement	0.63%

Note 4: Participant Unit Transactions

	Compass Capital	
	High Quality	
	Equity CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	251,714	\$ 2,514,658
Cost of units redeemed	(110,562)	(1,073,858)
Net change in Class R1 from participant transactions	141,152	1,440,800
Net change in total net assets from participant transactions		\$ 1,440,800

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Notes to Financial Statements

December 31, 2022

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 that the Fund can access at the measurement date.
- 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.
- 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 statement 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, 2022.

Short Term Investments. Short term investments, including money market funds, 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.

Common Stock and Foreign Stock. 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. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depository Receipts and the movement of the certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as Level 1 in the hierarchy. For those foreign securities where additional foreign market activities are taken into consideration by the pricing service, those securities are categorized as Level 2 in the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying statement 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, 2022.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2022

	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)
Compass Capital High Quality Equity CIF				
Short Term Investment	\$ 557	\$ 557	\$ -	\$ -
Common Stock	2,709,487	2,709,487	-	-
Foreign Stock	235,714	235,714	-	-
Common Trust Fund - Fixed Income (A)	22,102			
Total	\$ 2,967,860			

(A) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of assets and liabilities.

Note 6: Risk Factors

The Fund invests 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 changes could materially affect the amounts reported in the accompanying statement of assets and liabilities.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
Compass Capital High Quality Equity CIF
Year Ended December 31, 2022

Purchases	
Investment Class	Cost
Common Stock	\$ 2,473,469
Foreign Stock	255,773
Common Trust Funds - Fixed Income	<u>886,968</u>
Total Investments Purchased	<u>\$ 3,616,210</u>

Sales			
Investment Class	Proceeds	Cost	Gains (Losses)
Common Stock	\$ 1,037,813	\$ 1,149,407	\$ (111,594)
Foreign Stock	240,372	231,085	9,287
Common Trust Funds - Fixed Income	<u>879,911</u>	<u>879,911</u>	<u>-</u>
Total Investments Sold	<u>\$ 2,158,096</u>	<u>\$ 2,260,403</u>	<u>\$ (102,307)</u>