



Hand Composite Employee Benefit Trust Compass Capital High Quality Equity CIF

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

December 31, 2023



Hand Composite Employee Benefit Trust
December 31, 2023

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2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056

P 713.499.4600 / F 713.499.4699

forvis.com

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, 2023, 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, 2023, 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 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 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 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 31, 2024

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2023

	Compass Capital High Quality Equity CIF
Assets	
Investments, at cost	\$ 3,577,334
Investments, at fair value	\$ 4,005,736
Receivable for:	
Custody expenses reimbursed	309
Capital shares sold	1,986
Dividends and interest	4,661
Total assets	\$ 4,012,692
Liabilities	
Payable for capital shares redeemed	\$ 1,156
Accounts payable and accrued liabilities	2,515
Total liabilities	\$ 3,671
Net assets held for participants:	
Class R1	\$ 4,009,021
Total net assets held for participants	\$ 4,009,021
Units outstanding:	
Class R1	360,088
Total units outstanding	360,088
Net asset value per unit:	
Class R1	\$ 11.13

Hand Composite Employee Benefit Trust
Schedule of Investments
Compass Capital High Quality Equity CIF
December 31, 2023

Number of Shares		Cost	Fair Value
<i>Short Term Investment</i>			
1,023	Schwab Adv Cash Reserves Premium	\$ 1,023	\$ 1,023
	Total Short Term Investment	0.03% 1,023	1,023
<i>Common Stock</i>			
<i>Consumer Discretionary</i>			
1,663	Disney Walt	166,577	150,152
	Total Consumer Discretionary	3.75% 166,577	150,152
<i>Consumer Staples</i>			
1,611	Church & Dwight Co Inc	143,706	152,336
2,051	CVS Health Corp	182,982	161,947
949	Wal-Mart Stores Inc	131,853	149,610
	Total Consumer Staples	11.57% 458,541	463,893
<i>Financials</i>			
1,289	Intercontinental Exchange Inc	145,725	165,546
	Total Financials	4.13% 145,725	165,546
<i>Healthcare</i>			
952	Johnson & Johnson Corporation	158,376	149,216
1,380	Merck & Co Inc	150,357	150,448
520	Stryker Corp	123,522	155,719
304	Thermo Fisher Scientific Inc	170,649	161,360
	Total Healthcare	15.38% 602,904	616,743
<i>Industrials</i>			
683	Danaher Corp	174,104	158,005
1,247	Expeditors Intl Wash Inc	136,793	158,618
2,484	Fastenal Company	136,592	160,889
587	FedEx Corporation	112,583	148,493
611	Illinois Tool Works Inc	136,052	160,045
282	Roper Industries Inc	122,887	153,738
	Total Industrials	23.44% 819,011	939,788

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Compass Capital High Quality Equity CIF (Continued)
December 31, 2023

Number of Shares		Cost	Fair Value
<i>Information Technology</i>			
1,064	Alphabet Inc	\$ 116,538	\$ 148,631
1,649	Amphenol Corp Cl A	122,948	163,465
1,157	Fiserv Inc	121,429	153,696
405	Microsoft Corporation	110,865	152,296
1,146	Qualcomm Inc	140,898	165,746
594	Visa Inc Cl A	125,855	154,648
608	Zebra Technologies Corp CL A	168,241	166,185
	Total Information Technology	27.55% <u>906,774</u>	<u>1,104,667</u>
<i>Materials</i>			
532	Sherwin-Williams Company	128,815	165,931
	Total Materials	4.14% <u>128,815</u>	<u>165,931</u>
	Total Common Stock	89.96% <u>3,228,347</u>	<u>3,606,720</u>
<i><u>Foreign Stock</u></i>			
<i>Information Technology</i>			
448	Accenture PLC	138,692	157,208
1,033	Check Point Software Tech Ltd	126,319	157,832
	Total Information Technology	7.86% <u>265,011</u>	<u>315,040</u>
	Total Foreign Stock	7.86% <u>265,011</u>	<u>315,040</u>
<i><u>Common Trust Fund</u></i>			
<i>Fixed Income</i>			
82,953	HB&T Short Term Income Fund	82,953	82,953
	Total Fixed Income	2.07% <u>82,953</u>	<u>82,953</u>
	Total Common Trust Fund	2.07% <u>82,953</u>	<u>82,953</u>
	Total Investments	99.92% <u>\$ 3,577,334</u>	<u>\$ 4,005,736</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2023

	Compass Capital High Quality Equity CIF
Income	
Dividends	\$ 47,818
Interest	25
Total income	47,843
Expenses	
Investment management and administrative	20,623
Custody fees	2,246
Other fees	720
Total expenses before expense reimbursement	23,589
Expense reimbursement	(969)
Total expenses after expense reimbursement	22,620
Net Investment Income	25,223
Net Realized and Unrealized Gains (Losses) on Investments	
Net realized losses	(136,197)
Net change in unrealized appreciation/depreciation	810,358
Net realized and unrealized gains on investments	674,161
Net Increase in Net Assets Resulting From Operations	\$ 699,384

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2023

	Compass Capital High Quality Equity CIF
Operations	
Net investment income	\$ 25,223
Net realized losses	(136,197)
Change in unrealized appreciation/depreciation	<u>810,358</u>
Net increase in net assets from operations	699,384
Net Increase in Net Assets From Participant Transactions	<u>289,643</u>
Increase in Net Assets	989,027
Net Assets	
Beginning of period	<u>3,019,994</u>
End of period	<u><u>\$ 4,009,021</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

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 76 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 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

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 31, 2024, which is the date the financial statements were available to be issued.

Investment Management Advisor

The investment management advisor for the Fund is Compass Capital Management.

Note 2: Investment Advisory Fees and Other Transactions with Affiliates

The Fund is charged an administrative fee by Hand Benefits and Trust Company 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, 2023, 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	Total Fees
Compass Capital High Quality Equity CIF:				
Class R1	0.08%	0.50%	0.03%	0.61%

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2023

Note 3: Financial Highlights

	Class R1
	Compass Capital High Quality Equity CIF
Net asset value, beginning of year	\$ 9.14
Net investment income	0.07
Net realized and unrealized gains	1.92
Net increase from investment operations	1.99
Net asset value, end of year	\$ 11.13
Total return	21.77%
Ratio to average net assets:	
Net investment income	0.70%
Expenses before reimbursement	0.63%
Expenses after reimbursement	0.60%

Note 4: Participant Unit Transactions

	Compass Capital High Quality Equity CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	106,733	\$ 1,049,611
Cost of units redeemed	(76,932)	(759,968)
Net change in Class R1 from participant transactions	29,801	289,643
Net change in total net assets from participant transactions		\$ 289,643

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

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, 2023.

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, 2023.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2023

	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	\$ 1,023	\$ 1,023	\$ -	\$ -
Common Stock	3,606,720	3,606,720	-	-
Foreign Stock	315,040	315,040	-	-
Common Trust Fund - Fixed Income (A)	<u>82,953</u>			
Total	<u>\$ 4,005,736</u>			

(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, 2023

Purchases			
Investment Class	Cost		
Common Stock	\$	1,133,272	
Foreign Stock		59,190	
Common Trust Funds - Fixed Income		748,929	
Total Investments Purchased	\$	1,941,391	
Sales			
Investment Class	Proceeds	Cost	Losses
Common Stock	\$ 840,805	\$ 969,637	\$ (128,832)
Foreign Stock	49,258	56,623	(7,365)
Common Trust Funds - Fixed Income	688,332	688,332	-
Total Investments Sold	\$ 1,578,395	\$ 1,714,592	\$ (136,197)