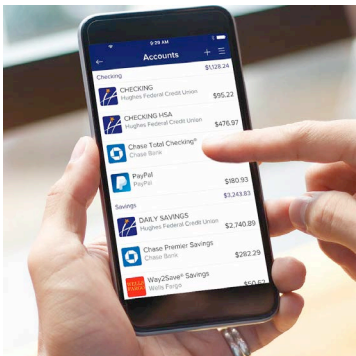
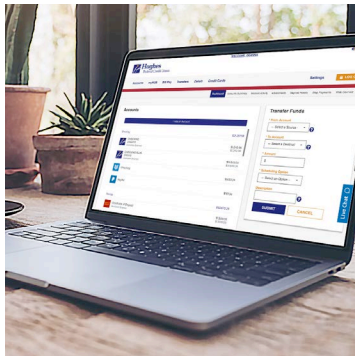


2020

ANNUAL REPORT



2020 Board of Directors' Report

Submitted by Juan F. Gonzalez, Board Chairman

The Hughes Federal Credit Union Board of Directors is proud to present the 2020 annual report. The year 2020 presented unique and challenging operational opportunities to assist our members and community during the COVID-19 pandemic. We all have been affected in one or more ways; from how we conducted our business, to family and friend's interaction, to perhaps loss of loved ones. Hughes FCU focused to provide services and financial support to our members during a critical time need.

The health and safety of our members and employees are of paramount importance. We shifted our staff to meet the need of our membership and new environment. Some were able to work from home. Others supported online lending and member financial assistance which, increased over 300%. Electronic signing was more widely used to assist those that needed this remote service. We incorporated a moratorium on repossession and foreclosures, and provided loan modification for those members that needed temporary financial relief. For members that needed the traditional delivery channels, we kept the lobbies open by appointment, and kept our drive through windows open. We improved our computer systems and staff training to handle the increased online traffic. We were impressed on how well our members transition to online solutions.

Continued Growth and Financial Strength

During the 2020 pandemic events, we managed to increase our membership, services, and opportunities to our members while maintaining a strong, stable and secure financial foundation on our credit union.

In 2020, financial growth in assets and loans were noteworthy. We continue to grow our online/mobile presence through improved Information Technology capability and enhanced security. We remained committed to provide a positive difference in the financial lives of our members, and contribute to our community through our outreach programs.

Awards and Community Recognition

Awards and recognition result from our talented management and staff commitment and dedication to provide our members with products and service excellence.

- Hughes FCU was one of the top recipients of the national Member XP 2021 "Best of the Best" awards for exceptional performance and service, even during the challenges of the pandemic crisis, as rated by 5,858 members surveyed in 2020. Members were surveyed to monitor the experiences of opening a new account, applying for a loan, and conducting a mobile, online, or in-branch transaction.
- Forbes named Hughes FCU as one "Best-in-State Banks and Credit Unions" in Arizona for a third consecutive year. This prestigious designation was published in June 25, 2020. Banks and Credit Unions were ranked nationally on recommendation, satisfaction, trust, term and conditions, branch services, digital services and financial advice.
- Hughes FCU website (HughesFCU.org) was recognized globally with the 2020 Progress® Sitefinity® Website of the Year Award in the Financial Services category. Winners worldwide

were recognized for their excellence in design, user experience and innovation in 13 categories.

- The Credit Union National Association (CUNA) awarded Hughes FCU with three Diamond Awards recognizing outstanding marketing and business development achievement in the credit union industry. We have received this award for eleven consecutive years.
- Bauer Financial has rated Hughes FCU "Excellent" financial institution rating of 4 Stars. This award makes 30.5 consecutive years that Hughes FCU has been rated as "Excellent" or "Superior".
- The Arizona Daily Star recognized Hughes FCU as a "Favorite" financial institution in several categories
 - Best Bank/Credit Union
 - Best Credit Card
 - Best Debit Card
 - Best Financial Planning Services
 - Best Membership Organization

Community Outreach

Our corporate values strengthen by participating, encouraging, and supporting needed financial and educational programs in our community.

- Hughes FCU granted \$10,000 to five local high school students in 2020. Hughes FCU has granted \$90,000 in scholarships since 2005. The scholarship awards will continue to be awarded this year.
- Hughes FCU supports our Veterans by contributing to "Esperanza in Escalante", a non-profit organization that provides housing, social services, programs, and transportation needed by our veterans on their transition to everyday life. We donated \$2,000 in 2020.
- Hughes FCU promotes financial literacy in our community. We have created financial videos that are made available to our community and local schools serving over 42 teachers and 3960 students.
- Hughes FCU supports the Diamond Children Medical Center and over 30 University of Arizona athletic teams.
- Hughes FCU supports the Vail School District Foundation programs, field trips, new equipment, and student's needs.
- Hughes FCU support of the Tucson Wildlife Center through debit card "Bobcat at the Pool" donations. We have contributed \$7,875 to the Tucson Wildlife Center.
- Hughes FCU supports the TMC Children Hospital. We contributed \$14,000 in 2020.

The Hughes Federal Credit Union Board of Directors thanks our management and staff for the commitment and support of our Credit Union operations. Special thanks to our membership for their valued loyalty and support. Let's kindly remember those friends and loved ones that we lost during the pandemic with our deepest sympathy. We wish you a safe, healthy and prosperous year.

2020 Annual Treasurer's Report

Submitted by Robert J. Swick, Treasurer

Despite the economic downturn due to the COVID 19 pandemic, 2020 was another year of strong growth for Hughes Federal Credit Union. Hughes Federal Credit Union marked 2020 by setting record growth in Credit Union assets, capital, deposits, loans and members. At yearend 2020, member savings or deposits equaled \$1,495,597,123.97, an increase of \$241,322,597.68 or 19.24% over the previous year. Credit Union assets totaled \$1,652,308,495.46, an increase of \$257,457,273.91 or 18.46% compared to total assets at yearend 2019.

Hughes Federal Credit Union granted 32,984 loans to members during 2020 totaling \$730,668,290.84. At yearend, total loans to members equaled \$1,295,201,497.13 an increase of \$285,818,162.76 or 28.32% from the previous year.

During 2020 the Credit Union produced \$81,658,477.44 in gross income. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$15,689,913.29. Our increased net capital helps ensure continued financial strength and stability for our Credit Union.

Hughes Federal Credit Union ended 2020 with 149,248 members a net increase of 17,542 members or 13.32% over the previous year. We encourage our newest members as we do all our members to make the most of their membership. Membership at Hughes Federal Credit Union means ownership in a local, Better Business Bureau accredited and A+ rated full-service financial institution that has existed for over sixty-nine years solely to benefit its member owners.

The Credit Union has a wide array of products and services designed to make a positive difference in our members financial lives. If you have a financial need just ask, chances are your Credit Union can service it.

One product we believe can benefit every member is our Checking PLUS account. Checking PLUS debuted in 2018 and is exclusive for Hughes Federal Credit Union members. Checking PLUS combines all the features of our traditional checking; Direct Deposit, a Visa Debit/ATM Card, online banking, mobile banking, bill pay, mobile deposit, Zelle, account alerts, eStatement, and automatic transfers with Benefits Plus which offers discounts on many products and services you won't find anywhere else. Checking PLUS includes cell phone repair coverage, identity theft restoration, the lowest price and cash back on travel, movie and entertainment attraction discounts, discounted gift cards, a group dental discount plan, prescription discounts, vision care discounts and much more. Checking PLUS starts with a free, no obligation 90-day trial which makes it easy to experience the many benefits first-hand.

In addition to the many participating national retailers and service providers, Checking PLUS also offers our members discounts

at a growing list of local business partners. Over 140 local businesses have signed on and our list of local businesses keeps growing. A merchant directory can be found at HughesFCU.org/LocalDiscounts.

To join the over 8,000 members who have already opened or upgraded to Checking PLUS just call 520-794-8341 or stop by any of our branches during regular business hours. Members upgrading their existing Hughes Federal Credit Union checking account to Checking PLUS keep their account number, checks, debit cards, bill pay and online/mobile banking making upgrading hassle free. The only thing that changes is that you receive access to all the discounts and savings on products and services provided by Benefits Plus. Try it free for 90 days. A \$5.95 monthly fee applies after the free 90-day no obligation trial and you may cancel at any time.

The success of our Credit Union is totally dependent on the participation of our members. If you are not participating in our services, we encourage you to do so. If you are, we thank you and ask you to refer family, friends, co-workers and neighbors. Hughes Federal Credit Union membership is open to anyone who lives, works, worships, or attends school in Tucson. Anyone interested can call 520-794-JOIN for more information on membership eligibility.

At Hughes Federal Credit Union our cooperative form of corporate governance ensures that all earnings of the Credit Union are returned to our members in the form of affordable financial services. This is what differentiates your Credit Union from other financial institutions. Your Board of Directors is comprised of volunteer members elected by our membership. Our volunteer Board of Directors is tasked with providing financial products and services that make a positive difference in our members' financial lives while maintaining the long-term financial strength and stability of our Credit Union.

Hughes Federal Credit Union continues to grow and throughout the past sixty-nine years much has changed. But what is most important is what has not changed. We remain a member owned and operated financial cooperative in existence solely for the benefit of you our members. Thank you to our volunteer Board of Directors and Supervisory Committee members for their dedication, direction and support. A big thank you to the Credit Union staff most of whom have been working on premises all year ensuring our members' financial needs are met on a daily basis. And as always and most importantly, we want to thank you our members for your continued patronage and support of our Credit Union. So, thank you for your membership and on behalf of the management and staff of your Credit Union we wish you a happy, healthy and prosperous 2021.

Supervisory Committee Report

Submitted by Fabian Cordova, Supervisory Committee Chairman

Your Hughes Federal Credit Union Supervisory Committee is assigned many vital responsibilities which we take seriously to ensure that each Credit Union member's interests are protected. These include, but are not limited to, the following:

- Retention of a reputable accounting firm for the independent annual Credit Union audit
- Overseeing the performance of outside agency audits, including those for the Bank Secrecy Act, Office of Foreign Assets Control, and other federal regulations
- Attend the monthly board meetings
- Make branch visits
- Assure timely pickup of Supervisory Committee mail and Credit Union returned mail for review
- Addressing member concerns and ensuring a timely response is given for each
- Ensuring that staff is receiving required and continuing training to do a high-quality job for each Credit Union member

These are a few of the required activities that your Supervisory Committee performs to ensure that Hughes remains a financially sound institution with continuing growth for its current and future members.

Your Credit Union continues to receive high ratings in all categories by our auditors and the National Credit Union Administration (NCUA), our federal regulator. This could not have been possible without the discipline, commitment, and work ethic of the entire Credit Union staff. We are proud of your efforts and thank you for the dedication to your Credit Union.

We would like to acknowledge the excellent work completed every day by the Hughes internal audit team that ensures continuing compliance with the many rules and regulations.

The Credit Union's financial condition continues to remain strong with even greater growth projected into the future. With the unparalleled commitment of the Board, Supervisory Committee, Credit Union employees and management team, we will continue to perform at a high standard for our Credit Union members today and tomorrow.

2020 Board of Directors



Juan Gonzalez
Chairman



Rich Miller
Vice Chair



Robert Swick
Treasurer



Roberta Reeves
Secretary



Ashesh Bhalala
Member



Willis Fagg
Member



Chad Marchand
Member



Mary Middleton
Member



David Ortega
Member

Supervisory Committee



Fabian Cordova
Chairman



Charles LaDue
Secretary



Jim Hall
Member



Robert Shaub
Member

2020 Financial Statement

December 31, 2020, Unaudited

BALANCE SHEET

Assets

Loans to Members	\$1,295,201,497
Less: Allowance for Loan Losses	11,567,235
Net Loans Outstanding	\$1,283,634,262
Cash and Checking	\$4,935,814
Investments	1,889,912
Deposits in Corporate Credit Unions	316,636,154
Building	19,246,724
Furniture and Equipment	3,642,154
NCUSIF Deposit	13,575,468
All Other Assets	8,748,007
Total Assets	\$1,652,308,495

Liabilities and Equity

Shares	\$1,058,597,597
Term Shares	436,999,527
Total Savings	\$1,495,597,124
Dividends Payable	\$1,451,225
Accounts Payable	11,424,467
Regular Reserve	5,655,103
Reserve for Contingencies for Future Stabilization	134,142,392
Undivided Earnings	4,038,184
Total Liabilities and Equity	\$1,652,308,495

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$64,193,729
Income from Investments	1,545,842
Other Operating Income	15,918,906
Total Operating Income	\$81,658,477

Operating Expenses

Employee Compensation	\$13,397,313
Employee Benefits	3,537,049
Travel and Conference Expenses	75,307
Association Dues	110,010
Office Occupancy Expense	1,595,953
Office Operations Expense	7,589,298
Educational and Promotional Expense	2,371,535
Loan Servicing Expense	4,886,418
Professional and Outside Services	5,068,961
Provision for Loan Losses	11,363,406
Operating Fees (NCUA)	380,450
Other Operating Expenses	886,259
Total Operating Expenses	\$51,261,959
Net Income Before Distribution	\$30,396,518

Distribution of Net Income

Dividends	\$14,706,605
Undivided Earnings and Reserves	15,689,913
Total Distribution of Net Income	\$30,396,518

Credit Union Growth Through the Decades

