



**Hughes**  
Federal Credit Union



# 2021 ANNUAL REPORT



Celebrating 70 years of service to our members and the community

# 2021 Board of Directors' Report

Submitted by Juan F. Gonzalez, Board Chairman

The Hughes Federal Credit Union Board of Directors is honored to present the 2021 annual report to the membership in our 70th anniversary. During 2021 we continued to work with the COVID-19 pandemic operational constraints and challenges. We thank our members for their support and adjustments to our new requirements, which were driven by the CDC, government agencies, our health and safety concern for our membership and employees.

Many of the changes made for the pandemic operations have improved our services and streamlined our operations. We are making decisions regarding which new operational changes make sense to continue forward; and which operations we transition to proven, previous normal operations. We have provided you with more visibility and accessibility to your accounts. Improved loan processing time. Our on-line presence is at least at par with the "best-in-class" and we continue to find ways to improve it. We continue to improve data security. We increased cybersecurity management to a Vice-President level. We have engaged other business channels to increase services to our members, to improve our financial returns and to reduce risk, which in turn allowed us to increase the dividends we pass on to our members.

## Continued Growth and Financial Strength

In 2021 we managed to increase our membership, services, and opportunities for our members, while maintaining a strong, stable, and secure financial foundation. We grew significantly in 2021, we far surpassed our financial goals. We have grown to almost 2 billion dollars in assets. Our membership growth, loan growth, return on net assets, and net income growth are at the top in our state for a credit union our size. We accomplished this while also reducing our loan risk. Hughes is a strong and stable credit union making a positive difference in the financial lives of our members.

## Awards and Community Recognition

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

- This is the fourth consecutive year Hughes has been ranked among best-in-state credit unions in Arizona by Forbes.
- The Friends of Oro Valley Public Library recognized Hughes by naming and dedicating the Hughes/Friends Plaza at their Oro Valley Library in recognition of the long-standing partnership for over 20 years. Since then, Hughes has contributed over \$750,000 to the library for books, equipment, financial literacy classes, and other programs designed to bring free educational resources to residents.
- Hughes has earned the BauerFinancial 5-Star Superior bank/credit union financial rating in 2021. BauerFinancial is an independent bank and credit union rating agency. We have earned the Superior or Excellent rating for 125 consecutive quarters.

- The Credit Union National Association (CUNA) awarded Hughes with two Diamond Awards recognizing outstanding marketing and business development achievement in the credit union industry. This is the 12th consecutive year Hughes is recognized with CUNA's top honor.

## Community Outreach

We believe that supporting the needs of our community improves the lives of our members. Our values strengthen by participating, encouraging, and supporting needed financial and educational programs in our community.

- Since 2019 we instituted a program to support the Tucson Wildlife Center by contributing \$5 to the Tucson Wildlife Center for every new Diana Madaras "Little Prowler" debit card issued. The contribution so far has exceeded \$15,000.
- Hughes supports the Diamond Children's Medical Center and over 30 University of Arizona athletic teams.
- Hughes supports TMC for Children, Angel Charity for Children and Children's Miracle Network.
- In 2021 we granted 10 students a \$1000 scholarship. The recipients are:
  - Elana Goldberg
  - Aleksandra Grodski
  - Alyssa Klensin
  - Ellie Panagakos
  - Calisa Perry
  - Liliana Quiroz
  - Andrew Smith
  - Ranger Stevenson
  - Tobias Wilson
  - Abedalrahman Zahlan
- Hughes promotes financial literacy in our community. We have created financial videos that are made available to our community and local schools.





- Hughes 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 as they transition to everyday life.
- Hughes supports the Vail School District Foundation programs, field trips, new equipment, and student needs.

While 2021 brought unique challenges to all of us, we managed to do exceptionally well. 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. We wish you a safe, healthy and prosperous year. ■

# 2021 Annual Treasurer’s Report

Submitted by Robert J. Swick, Treasurer

Hughes Federal Credit Union was chartered on November 21, 1951 and held its first annual meeting on January 14, 1952. Eleven people attended that first meeting and shortly thereafter, volunteers manually transacted business from offices provided by Hughes Aircraft Company.

At that time the Credit Union offered a single savings account and a single unsecured loan of not more than three hundred dollars. Your Credit Union accepted its first deposit on February 5, 1952, and granted its first loan on February 8, 1952. During that first year Hughes Federal Credit Union granted 825 loans for a total amount of \$226,274.21. After its first year of operations your Credit Union reported a total of 854 members, total assets of \$139,063.21, total deposits of \$118,884.72 and \$135,057.11 in total outstanding loans to members.

Seventy years later, Hughes Federal Credit Union reports 2021 was another year of very strong growth. Your Credit Union grew in assets, capital, deposits, loans, and members. Hughes Federal Credit Union marked 2021 by surpassing one and a half billion dollars in total outstanding loans to members.

During 2021 Hughes Federal Credit Union granted 34,094 loans for a total of \$ 828,087,393.37. At yearend, total outstanding loans to members equaled \$ 1,532,682,301.73 a \$ 237,480,805.00 or 18.34% increase over the previous year. Since granting its first loan on February 8, 1952, your Credit Union has granted a total of 511,222 loans totaling over 6.7 billion dollars.

At yearend 2021, member savings or deposits equaled \$1,749,888,952.28 an increase of \$254,291,828.31 or 17.00% over the previous year. Credit Union assets totaled \$1,946,290,060.30, an increase of \$ 293,981,564.84 or 17.79% compared to total assets at yearend 2020.

During 2021 Hughes Federal Credit Union produced \$99,024,111.00 in gross income. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$41,341,650.98, an increase of 28.74% compared to net capital at yearend 2020. Our increased net capital helps ensure continued financial strength and stability for our Credit Union.

Hughes Federal Credit Union ended 2021 with 166,623 members a net increase of 17,375 members or 11.64% 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 seventy years solely to benefit its member owners.

At that first annual meeting on January 14, 1952, the attendees recognized that the Credit Union’s services were limited but emphasized that this new organization unlike a bank is owned and operated by its members for their mutual benefit. Today unlike then, Hughes Federal Credit Union has a wide array of products and services designed to benefit our members by saving you time, money and simplifying your financial life. 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 prices, 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 190 local businesses have signed on and our list of local businesses keeps growing. A merchant directory can be found at [HughesFCU.org/Partner](https://HughesFCU.org/Partner).



To join the over 10,000 members who have 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 520-794-8341 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 seventy years much has changed. But what is most important is what has not changed. Just as your Credit Union was then, we remain today 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. Thank you to the Credit Union staff for their hard work and dedication 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 2022. ■

## 2021 Financial Statement

December 31, 2021, Unaudited

### BALANCE SHEET

#### Assets

Loans to Members	\$1,532,682,302
Less: Allowance for Loan Losses	6,295,584
<b>Net Loans Outstanding</b>	<b>\$1,526,386,718</b>

<b>Cash and Checking</b>	\$4,338,326
Investments	1,769,669
Deposits in Corporate Credit Unions	366,941,441
Building	18,840,469
Furniture and Equipment	3,674,912
NCUSIF Deposit	15,504,193
All Other Assets	8,834,332
<b>Total Assets</b>	<b>\$1,946,290,060</b>

#### Liabilities and Equity

Shares	\$1,289,490,743
Term Shares	460,398,209
<b>Total Savings</b>	<b>\$1,749,888,952</b>

Dividends Payable	\$1,914,443
Accounts Payable	9,306,011
Regular Reserve	5,655,103
Reserve for Contingencies for Future Stabilization	174,900,212
Undivided Earnings	4,625,339
<b>Total Liabilities and Equity</b>	<b>\$1,946,290,060</b>

### STATEMENT OF INCOME

#### Operating Income

Interest on Loans to Members	\$81,066,013
Income from Investments	973,173
Other Operating Income	16,984,925
<b>Total Operating Income</b>	<b>\$99,024,111</b>

#### Operating Expenses

Employee Compensation	\$13,227,810
Employee Benefits	3,520,284
Travel and Conference Expenses	142,221
Association Dues	114,372
Office Occupancy Expense	1,660,693
Office Operations Expense	8,653,990
Educational and Promotional Expense	2,131,975
Loan Servicing Expense	6,972,996
Professional and Outside Services	6,568,276
Provision for Loan Losses	(579,598)
Operating Fees (NCUA)	329,137
Other Operating Expenses	901,960
<b>Total Operating Expenses</b>	<b>\$43,644,116</b>
<b>Net Income Before Distribution</b>	<b>\$55,379,995</b>

#### Distribution of Net Income

Dividends	\$14,038,344
Undivided Earnings and Reserves	41,341,651
<b>Total Distribution of Net Income</b>	<b>\$55,379,995</b>

# 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

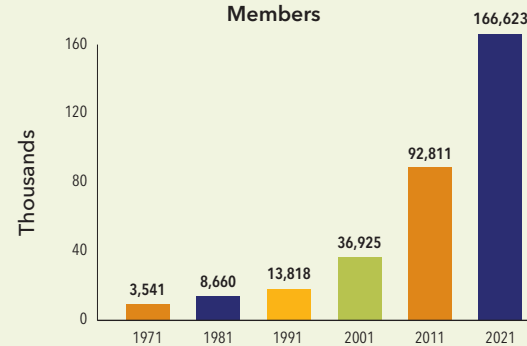
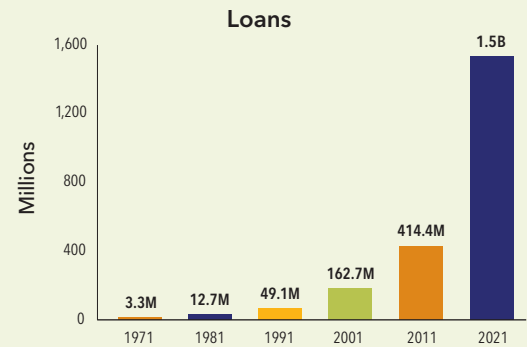
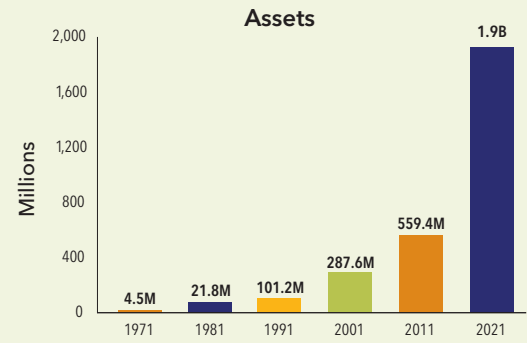
These are a few of the required activities that your Supervisory Committee performs to ensure that Hughes remains a financially sound institution with continuing growth for its current and future members.

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. ■

## Credit Union Growth



# Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and Kellie Terhune Neely

The Nominating Committee submitted the following names of candidates to serve on the Hughes Federal Credit Union Board of Directors. There are three openings on our board. The nominees with the three highest number of votes will serve a three-year term. Eligible members of voting age, 16 years and older may vote. One vote per primary member. No nominations are accepted from the floor. ■



## Jay Baker

Mr. Baker is a results-oriented senior executive with years of experience in business development, finance and insurance, marketing and promotion, and human resource management. Jay began his managerial experience in 1975 as the Finance and Insurance Manager

at the Elliot Buick dealership in Providence, Rhode Island. He then went on to become Vice President and General Manager at Baker Oldsmobile-Cadillac dealership where he was responsible for the total operations and sales management including supervision of sales and promotional activities.

Jay's professional career in the automotive industry continued for years at numerous dealerships including Augusta Chevrolet and Dutch Chevrolet-Buick-Pontiac in Maine. In 2014, Mr. Baker brought along his decades of experience in helping grow both revenue and profitability to Mulligan's Sports Grill in Tucson, Arizona as a General Manager where he oversaw the overall operation of the business.

Jay has a Bachelor of Science in Psychology from Bates College in Lewiston, Maine. He has also completed several courses for a Masters Program in Addiction Counseling from Grand Canyon University.



## Ashesh Bhalala\*

Ashesh Bhalala has been a member of Hughes Federal Credit Union for 36 years. Mr. Bhalala was a Senior Manager at Raytheon Missile Systems Company where he worked in engineering design and development since 1985 until his retirement in 2020. He is currently an active

consultant at Raytheon providing significant programmatic support on a major development project which he plans on continuing in the foreseeable future. He remains engaged and enjoys the contribution and interaction with the many colleagues and friends he has established over the years at Raytheon.

Mr. Bhalala received his Bachelor of Science and Master of Science degrees in Electrical Engineering from the University of Arizona. He joined the Credit Union shortly after starting

his work at Hughes and subsequently volunteered as a member of the Supervisory Committee. Mr. Bhalala served in the Supervisory Committee for ten years, five of these years as the Supervisory Committee Chairman. The Supervisory Committee position gave him an understanding on the issues and concerns of the membership as well as a clear understanding of the Credit Union operations.

Mr. Bhalala has served our Credit Union as a Board director since August 2012. His commitment to the Credit Union membership and philosophy has been evident throughout his 19 years as a volunteer. Mr. Bhalala welcomes the opportunity to continue to serve the Credit Union membership and the Credit Union Board of Directors.



## William Frix

Dr. Frix holds decades of experience in the technical and engineering field having overseen multiple departments in various positions. His experience includes working as a member of the technical staff at Sandia National Laboratories in New Mexico from 1984 to 1987. He continued

his engineering journey at Georgia Institute of Technology as a research engineer. In 1991, William was a graduate associate at the Arizona State University until 1995 when he took the position as an engineering assistant professor at John Brown University where he remained for three years.

In 1998, Dr. Frix held multiple positions including program manager, systems engineer, software developer, missile trajectory analyst, and foreign affairs officer at the National Security Agency in Maryland. There, he served as a subject matter expert on two special information assurance programs, taught introductory classes on SIGINT signals analysis and technology to U.S. military and civilian personnel as well as training methods for cryptologic instructors. He also performed technical ELINT signals analysis on signals deemed to pose a high threat to U.S. and Allied military forces and represented the NSA at international forums.

William graduated with honors with a Bachelor of Electrical Engineering and Master of Science at Auburn University. He also earned a Doctorate of Philosophy at Arizona State University and a Master of Science in Strategic Intelligence at the Joint Military Intelligence College in Washington D.C.



# Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and Kellie Terhune Neely



## Charles La Due\*

Mr. La Due has been a member of Hughes Federal Credit Union since 1978 when he joined the Hughes Aircraft Company. In 2014, Mr. La Due was honored to be selected as a member of the Credit Union's Supervisory Committee which, among other activities, participates in overseeing

the important function of auditing the Credit Union's many diverse financial functions assuring its compliance with a wide variety of regulations. Over the last four years, Mr. La Due has been the Secretary of the Supervisory Committee.

During his tenure, Mr. La Due has gained a unique, deep, and broad working understanding of Hughes Credit Union's role and responsibility in representing, promoting, and assuring the interests of the Credit Union's membership and the community.

Mr. La Due has Bachelor's and Master of Science degrees in Electrical Engineering, a Master's in Business and Administration, and a Master's of Science in National Resource Strategy. His experience at Hughes/Raytheon ranges from managing a multi-billion-dollar program to developing and executing capture strategies in support of national and international program acquisitions.

Charles was recently selected to fill a vacancy on the Hughes Federal Credit Union Board of Directors and looks forward to continuing this exceptional opportunity by applying his breadth of education, management, and Credit Union experience as a member of the Board in meeting the needs of the Credit Union's membership and community.



## Robert Swick\*

Mr. Swick has been a Hughes Federal Credit Union employee and member for 36 years. He has served as Finance Manager, VP of Finance and Data Processing, and Sr. Vice President. In 1999, he became President and General Manager of the Credit Union. Mr. Swick has reported on

the Credit Union's financial position to the Board of Directors since 1987, served on numerous Board committees, and has been Board Treasurer since 2000. Currently, Mr. Swick serves on the asset/liability management, budget, compliance, computer systems, delinquent loans, executive, facilities planning, human resources, investment, loan appeals and sales and service committees.

Mr. Swick graduated from the University of Arizona with a Bachelor of Science degree in Business Administration, with a double major in Accounting and Management Information Systems. Mr. Swick welcomes the opportunity to continue to serve the Credit Union membership and the Credit Union Board of Directors.



## Ellen Thompson

Ellen Thompson has 15 years of experience in public accounting, with five years of consulting and another five years in the position of Comptroller of the City of Peekskill, New York. She has also served as an officer with Columbia University's Lamont Doherty Earth Observatory for

several years.

Mrs. Thompson has several years of volunteering in her community working with Meals on Wheels and Caring Friends, an early-onset Alzheimer's respite program. She has also volunteered much of her time serving on the board of many non-profit organizations like Westside Infant Daycare Center and Tenafly Nature Center in New Jersey. Ellen currently serves on the board of Si-Yo Music Society Foundation in New York City.

Ellen has lived in Tucson, Arizona since 2017 is presently residing at the Hacienda at the Canyon retirement community and loving it.

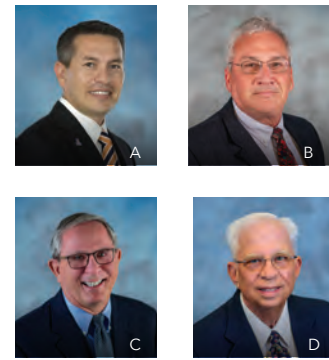
**\*INCUMBENT SERVING ON BOARD**

## 2021 Board of Directors



1. **Juan Gonzalez** - Chairman
2. **Rich Miller** - Vice Chairman
3. **Robert Swick** - Treasurer
4. **Roberta Reeves** - Secretary
5. **Ashesh Bhalala** - Member
6. **Willis Fagg** - Member
7. **Chad Marchand** - Member
8. **Mary Middleton** - Member
9. **David Ortega** - Member

## Supervisory Committee



- A. **Fabian Cordova** - Chairman
- B. **Charles La Due** - Secretary
- C. **Jim Hall** - Member
- D. **Robert Shaub** - Member



## Roberta Reeves - Forever In Our Hearts

One of the longest-serving volunteer Board members of Hughes Federal Credit Union and friend, Roberta Reeves passed away peacefully on April 1, 2022 surrounded by her family. A Hughes Missile Systems Company employee for 34 years, Roberta's service to the Credit Union began in 1988 and continued for over 33 years. Roberta was elected to serve as Secretary on the Hughes Board of Directors in 2003. While fellow board members and staff are deeply saddened by Roberta Reeves' passing, we will be forever grateful that we had the opportunity to benefit from her wisdom, humor and counsel for so many decades.







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