



2022 ANNUAL REPORT



Celebrating our community—one act of kindness at a time.

2022 Board of Directors' Report

Submitted by Juan F. Gonzalez, Board Chairman

The Hughes Federal Credit Union Board of Directors is honored to present the 2022 annual report to our membership. This past year was noted for its national economic changes, and we made significant progress toward our goals and objectives while remaining financially strong.

Continued Growth and Financial Strength

Our strategies have been to strengthen the core of the credit union. Keep our financial ratios healthy, maintain a strong capital position to protect membership assets, manage our growth, manage our risks, anticipate local and national economic changes, prepare for the foreseeable challenges, and how best to take advantage of the upcoming opportunities. We grew while we provided "best of class" services to our members, and enhanced our community outreach programs with the support our members value.

During early 2023, a limited number of national banks were intervened by their financial regulators (FDIC) due to financial mismanagement. That intervention was precipitated by risk concentration exposure and mismanagement of asset vs. liability maturity timeframe balance. These pitfalls were brought up by the rapid increase in federal-controlled interest rates to curb inflation. We understood this financial situation and managed to stay clear of the problem areas. In an early 2023 audit, we met and surpassed our regulators (NCUA) financial requirements for them to continue to insure your funds for \$250,000 per account. Rest assured that we have a strong capital position and liquidity to protect your assets.

Awards and Community Recognition

In 2022 the Hughes Federal Credit Union (Hughes FCU) was selected by AZ Business Magazine as the Credit Union of the Year. Similarly, Bauer Financial rated Hughes FCU as 5-Star superior.

Community Outreach

- Hughes FCU 70 Acts of Kindness Campaign raised over \$150,000 for nonprofit organizations in southern Arizona. 70 Acts of Kindness campaign commemorated our 70th anniversary.
- Hughes supported "Esperanza in Escalante", which provides housing, social services and transportation to veterans transitioning to everyday life.
- Hughes and Friends of the Kirk-Bear Canyon Library unveil the First-of-its-kind Sensory program for Neuro-Diverse and Autistic Children.
- Hughes supported seven students with \$2000 each in scholarships.
- Hughes also supported the Tucson Wildlife Center, Banner Health, Arizona® Athletics, Girl Scouts of Southern Arizona, Earn to Learn program, and provided financial training to 16 local schools'.

Governance

The Hughes FCU Board of Directors is committed to ensuring that the Credit Union operates in a sound and responsible manner. We value and continue to improve our training at all levels of the organization. We review and update, at least annually, our policies and procedures to ensure that they align with the strategic objectives and regulatory requirements. We hold Strategic Planning sessions with the Board of Directors, Vice Presidents, and staff to provide a better understanding of the need and scope of the Credit Union's strategic direction and goals. We address every communication our members send us with either recognition or concern. Risk management practices are part of our management oversight. We take seriously our auditor's evaluations, their comments and suggestions.

Path forward

The Hughes FCU Board of Directors is confident that our path forward will continue to lead us to growth, financial soundness and strength. We will continue to provide services with the opportunity to enhance our members' financial situation. We will continue to participate in community outreach programs to improve the Community we are so proud of.

On a more personal note, last quarter of 2022 our President/CEO, Robert Swick, reached his retirement milestone. He decided to retire effective mid-2023. Robert has been with us for 37 years, of which, he served as the President/CEO of our Credit Union for 27 years. Robert has had an exceptional career with us. He is well-regarded by his staff, employees, Board of Directors and Credit Union industry executives. We wish him a well-deserved retirement; we will miss him.

Per our by-laws, the Board of Directors selected a successor. Andrew Britton formally became President/CEO of the Hughes FCU, effective April 29, 2023. Andrew served as Vice President and has over 20 years of strong operations experience. The CEO transition will continue to be smooth and transparent.

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. ■



2022 Annual Treasurer's Report

Submitted by Andrew Britton, Treasurer and President/CEO

Hughes Federal Credit Union was chartered on November 21, 1951, and its first annual meeting was held on January 14, 1952. Seventy-one years later, Hughes Federal Credit Union reports that 2022 was another year of strong growth in members, capital, and loans. Your credit union remains a safe and sound financial institution for meeting your saving, investing, and lending needs.

Hughes Federal Credit Union ended 2022 with 179,697 members, a net increase of 13,074 or 7.85% 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-one years solely to benefit its member-owners

During 2022 Hughes Federal Credit Union generated \$115,896,468 in gross income. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$42,831,793, an increase of 3.6% from 2021.

During 2022 Hughes Federal Credit Union granted 32,672 loans to members for a total of \$846,471,335. Total outstanding loans at year-end were \$1,785,487,999, a \$252,805,697 or 16.5% increase over the previous year. Since granting its first loan on February 8, 1952, your Credit Union has granted 543,894 loans totaling over 7.5 billion dollars.

Since 2019, your Credit Union has grown over 35% in assets, 31% in member savings, 77% in member loans, and 78% in capital. This high level of growth ensures Hughes Federal Credit Union remains one of Arizona's strongest and safest financial institutions. Hughes BauerFinancial 5-Star "Superior" rating is a testament to our financial soundness and stability.

Hughes offers a wide array of products and services designed to simplify and improve your financial life, like one low-rate loan, higher earnings on deposits, financial advice and more. If you have a financial need, just ask; chances are your Credit Union will be able to provide it.

As the economic winds continue to shift at a seemingly greater pace, Hughes Federal Credit Union continues to offer competitive deposit and savings products such as money market and term share IRA accounts. These accounts, fully insured by the National Credit Union Administration for up to \$250,000, offer members safe and secure solutions to grow their savings.

Our popular Checking PLUS account, which debuted in 2018 and is exclusive for Hughes Federal Credit Union members, combines all the features of a traditional checking; Direct Deposit, a VISA Debit/ATM Card, online and mobile banking, bill pay, remote mobile deposit, Zelle, account alerts, eStatement, and automatic transfers WITH discounts on many products and services through Benefits PLUS that you won't find anywhere else. Checking PLUS also includes popular features such as cell phone repair coverage, identity theft restoration, lowest price guarantee and cashback on travel, movie and entertainment 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, making it easy to experience the many benefits firsthand.

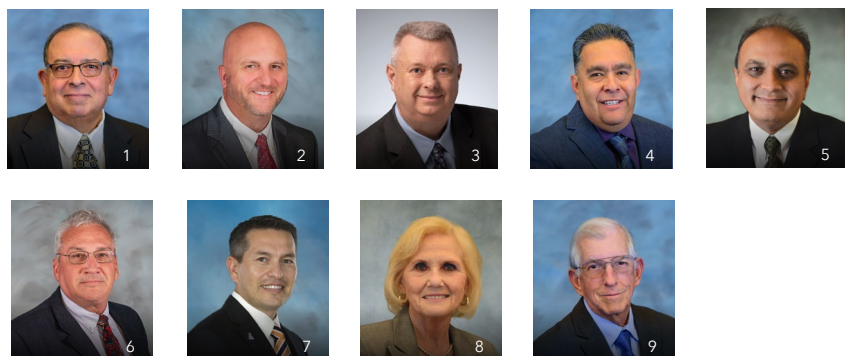
The success of our Credit Union is dependent on the participation of our members. If you are not participating in our services, we encourage you to do so. If you are, we thank you and ask you to refer family, friends, co-workers, and neighbors. Hughes Federal Credit Union membership is open to anyone 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-one years, much has changed. What has stayed the same is that your Credit Union remains 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 daily. As always, and most importantly, we want to thank you, our members, for your continued patronage and support of our Credit Union. ■



2022 Board of Directors



1. **Juan Gonzalez** – Chairman
2. **Rich Miller** – Vice Chairman
3. **Andrew Britton** – Treasurer, President/CEO
4. **David Ortega** – Secretary
5. **Ashesh Bhalala** – Member
6. **Charles La Due** – Member
7. **Fabian Cordova** – Member
8. **Mary Middleton** – Member
9. **Willis Fagg** – Member

Supervisory Committee



- A. **Jim Hall** – Chairman
- B. **Kellie Terhune-Neely** – Secretary
- C. **Robert Shaub** – Member
- D. **Linda Grigsby** – Member

2022 Financial Statement

December 31, 2022, Unaudited

BALANCE SHEET

Assets

Loans to Members	\$1,785,487,999
Less: Allowance for Loan Losses	(6,401,663)
Net Loans Outstanding	\$1,799,086,336

Cash and Checking	\$4,347,674
Investments	2,212,186
Deposits in Corporate Credit Unions	41,829,278
Land and Building	32,708,688
Furniture and Equipment	4,074,807
NCUSIF Deposit	17,250,082
All Other Assets	12,734,946
Total Assets	\$1,894,243,997

Liabilities and Equity

Shares	\$1,250,321,026
Term Shares	402,042,376
Total Savings	\$1,652,363,402

Dividends Payable	\$3,385,599
Accounts Payable	10,482,550
Regular Reserve	5,655,103
Reserve for Contingencies for Future Stabilization	217,081,413
Undivided Earnings	5,275,931
Total Liabilities and Equity	\$1,894,243,997

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$91,649,288
Income from Investments	3,753,961
Other Operating Income	20,493,219
Total Operating Income	\$115,896,468

Operating Expenses

Employee Compensation	\$15,299,904
Employee Benefits	4,313,713
Travel and Conference Expenses	355,988
Association Dues	135,368
Office Occupancy Expense	1,778,480
Office Operations Expense	9,251,244
Educational and Promotional Expense	2,776,440
Loan Servicing Expense	7,370,003
Professional and Outside Services	6,702,868
Provision for Loan Losses	7,861,640
Operating Fees (NCUA)	295,794
Other Operating Expenses	726,498
Total Operating Expenses	\$56,867,940
Net Income Before Distribution	\$59,028,528

Distribution of Net Income

Dividends	\$16,196,735
Undivided Earnings and Reserves	42,831,793
Total Distribution of Net Income	\$59,028,528

Supervisory Committee Report

Submitted by Jim Hall, Supervisory Committee Chairman

Your Hughes Federal Credit Union Supervisory Committee is assigned many vital responsibilities, which we take seriously to protect each credit union member's interests. These include but are just 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 receives required and continuing training to do a high-quality job for each Credit Union member.

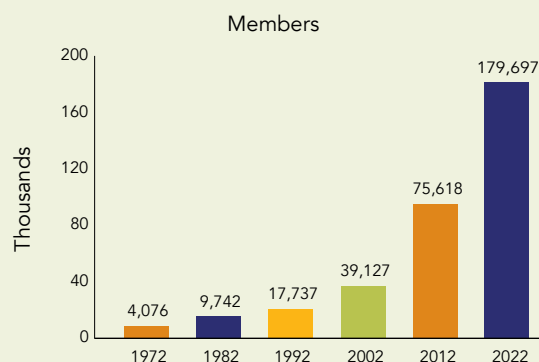
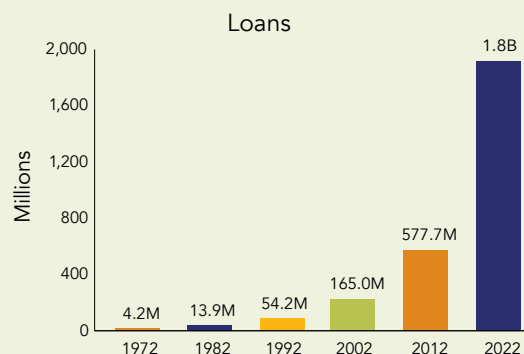
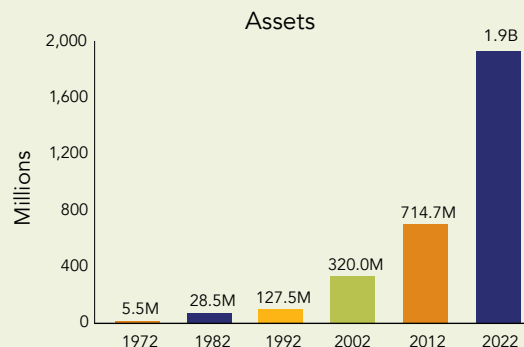
These are a few required activities that your Supervisory Committee performs to ensure that Hughes Federal Credit Union remains a financially sound institution with continuing growth for its current and future members.

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

We want to acknowledge the excellent work completed daily by the Hughes Federal Credit Union Internal Audit Team that ensures continuing compliance with the many rules and regulations.

Hughes Federal Credit Union's financial condition continues to remain strong, with even more significant growth projected in 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 Linda Grigsby

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. ■



Andrew Britton*

After serving in the U.S. Air Force from 1984 to 1991, Andrew began a long and successful 32-year career in the credit union industry. Andrew joined the Hughes Federal Credit Union team in 2003 as the Collections Manager.

Andrew took on the additional responsibilities of consumer lending in 2006 when he was promoted to Lending and Collections Manager. During his tenure, Andrew helped navigate the Credit Union through challenging financial times, such as the Great Recession, by providing much-needed assistance to members.

Andrew was promoted to Vice President of Lending in 2010, responsible for all consumer lending, mortgage, collections and loan servicing needs for the Credit Union. Starting in 2011, Andrew implemented a loan growth strategy that helped the Credit Union to grow from \$294 million in member loan balances to over \$1.7 billion as of year-end 2022. The 507 percent growth over the past 12 years has played a vital role in the Credit Union's strength and stability and maintained a safe and sound environment for members to save and borrow.

Andrew has been a member of the Hughes Federal Credit Union Delinquent Loan Committee for 20 years, Asset Liability Management Committee for 12 years and also served on the Facilities Planning Committee.

Andrew was promoted to President of Hughes Federal Credit Union in April 2023 after the retirement of former President Robert Swick. Andrew also serves as Treasurer on the Hughes Federal Credit Union Board of Directors.

Andrew's history is a testament to his commitment to the credit union philosophy of people helping people and his belief that our success comes from the promise to make a positive difference in our members' financial lives.



Fabian Cordova*

Mr. Cordova has over 29 years of experience providing leadership in all facets of internal operations, including finance and accounting, IT and system integration, human resources, contract and risk management, and business and partnership development. His experience includes working with Fortune 500 companies performing

complex financial audits and leading ERP implementation teams. He also has had the privilege of serving in leadership roles in local public accounting firms where his work entailed managing client relationships, tax planning and financial statement preparation needs. Fabian has served as the COO & CFO of the University of Arizona Alumni Association, led the financial and internal operations of Clinical Outcomes Solutions (an international pharma-consulting firm), and is now serving as CFO of early-stage aerospace technology companies, FreeFall Aerospace Inc. and FreeFall 5G Inc.

Fabian graduated from the University of Arizona in 1994 with degrees in Accounting and Finance and received his MBA in 2009. He holds a Certified Public Accountant (CPA) license and is a member of both the American Institute of CPAs and the Arizona Society of CPAs.

Committed to supporting the community and philanthropic efforts, Mr. Cordova also serves in leadership roles of locally based groups earning a Tucson 40 Under 40 Award in 2011. His current community involvement includes serving as the chair of the Amphitheater School District Foundation, treasurer of Resurrection Lutheran Church in Oro Valley, and as a board member of the Marshall Foundation. His past involvements have included supporting efforts with the Big Brothers Big Sisters of Tucson, Lutheran Social Ministries (Phoenix), Nogales Rotary Club, and organizations associated with the University of Arizona, including the New Start Fundraising Annual Dinner and the UA Hispanic Alumni Association.

Prior to his appointment to the Board of Directors, Mr. Cordova served as chair of the Hughes Federal Credit Union Supervisory Committee, a position he held since 2014.



Willis Fagg*

Willis retired from Raytheon in 2000 after 34 years in the aerospace industry. Before retiring, he had increasing responsibilities from engineering designer to program management positions. Willis has served on the Hughes Federal Credit Union Board of Directors for the past 23 years.

He currently serves on committees in charge of annual meetings, facilities planning, and new service. For the past 7 1/2 years he has served as chairman of the Facilities Planning Committee and was actively involved in the acquisition and development of both the Cortaro and Vail branches. During his tenure on the board, Willis completed 29 modules in

Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and Linda Grigsby

the Credit Union's Volunteer Achievement Program and 12 modules of the Volunteer Leadership Program. He has a B.S. and an M.S. in engineering and an additional M.S. in management. Other related experience includes, serving on his homeowner association's board of directors, with several terms as president, and serving as an officer on the board of directors of the Tucson Garden Railway Society. He welcomes the opportunity to continue his service on the board for the Credit Union.



Joseph Fritzsche

As a proud member of Hughes Federal Credit Union (HFCU) since 1998, Joseph Fritzsche has been consistently impressed with the personalized and professional service offered by Hughes.

Joseph has over 35 years of experience in engineering, having worked at General Electric and Raytheon Company in various leadership positions. His expertise includes systems engineering, supplier development, subcontract negotiations, risk management, and earned value management. Additionally, Joseph has served in multiple leadership roles in The Church of Jesus Christ of Latter-Day Saints and Boy Scouts of America, showing his dedication to his community.

Joseph holds a Bachelor's degree in Mechanical Engineering (BSME) from Utah State University and a Master's in Engineering Mechanics (MSEM) from Virginia Polytechnic Institute. Although Joseph's formal education is not in financial matters, his engineering background has given him the necessary skills to effectively manage large budgets and view problems from a strategic perspective. His problem-solving ability to think logically and consider external factors has been honed through his systems engineering training.

Above all, Joseph is committed to treating others with dignity, fairness, compassion, and respect. He is excited about the opportunity to give back to his community by serving on the Board of Directors and contributing to the credit union's continued success.



Richard Miller*

Rich retired from the U.S. Air Force in 2010 after 20 years in an active duty and guard status as an inventory management technician. From 1999 to 2007 he worked in accounting and finance for Raytheon Missile Systems. He moved to BE Aerospace in 2007 and worked for 12

years as a program finance manager. In 2019, he returned to Raytheon as a program integrator.

Rich has an accounting and finance degree from Park University and an M.B.A. from the University of Phoenix. Rich has been a member of Hughes Federal Credit Union for over 28 years. He has served on the Supervisory Committee and on the Board of Directors for the past 21 years. He has completed nine volumes in the Credit Union's Volunteer Achievement Program, reaching two award levels and currently serves on the cyber security, education/marketing, facilities planning, and legislative committees.

Rich has enjoyed being a volunteer head coach on his son and daughter's baseball, softball, and basketball teams for the past 15 years. He is dedicated to helping the Credit Union provide the best financial products and services to members and welcomes the opportunity to continue serving on the board.



Sharon A. Schaum

Sharon A Schaum is a dedicated and accomplished professional with over 30 years' experience in both the Aerospace and Defense industry and the Financial Banking industry.

Sharon is currently at Raytheon Missiles & Defense within the Supply Chain Management organization. During her 20 plus years, she has worked as a Production Control Manager, Material Program Manager, and is currently an International Supplier Performance Manager. Her experience ranges from working with international partners to developing and executing material strategies in support of program acquisitions. As a proven leader, she has successfully managed and motivated teams to exceed challenging goals and objectives.

Sharon's proven track record of success included various leadership positions throughout her banking tenure, including Vice President of Retail Banking at Bank of America, NT & SA, and Assistant Branch Manager at Pima Savings & Loan. She has also been an Adjunct Faculty member at Pima Community College and the University of Phoenix.

Sharon is continuing her education towards a PhD in Organizational Leadership (currently ABD). She holds a Master of Business Administration in Organizational Management from Capella University, a Master of Business Administration in Global Management from the University of Phoenix, and a Bachelor of Science in Business Management from the University of Phoenix.

Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and Linda Grigsby



Kenneth P. Warner

Kenneth P. Warner is a seasoned business executive and financial expert with over 43 years of experience. Based primarily in Denver, Colorado, Ken has had a successful career as a senior executive, financial officer, financial advisor, and bank employee. After selling his financial advisor practice in 2017 and retiring to Tucson full time, Ken is looking to give back and stay active by leveraging his expertise in finance and business towards a common goal on behalf of all Hughes Federal Credit Union members.

Throughout his career, Ken has held various executive and consultant positions with companies of different sizes, including startups. He also served as the President and first employee of UI Video Stores, Inc., a franchisee of Blockbuster Video, where he opened 126 stores in five years and grew the company to 2,600 employees before it was sold.

Ken's extensive experience in finance and business includes being licensed as a CPA, Registered Representative, and

obtaining Securities and Insurance Licenses as a Financial Advisor. He was also bonded as a bank employee at age 19, and his financial officer positions with United Cable Television Corporation, a NYSE company, further attest to his expertise in finance.

In addition to his professional achievements, Ken is an avid golfer who loves to keep fit and is a fan of live music, theater, and sports. He also serves as a mentor to his "little" in the Southern Arizona Big Brothers and Big Sisters Mentor Program for over three years.

Ken received his BS in Accounting from the School of Management at the State University of New York at Buffalo in 1977. He has also taken various courses and classes in accounting, auditing, business management, financial planning, insurance, and securities law.

***INCUMBENT SERVING ON BOARD**

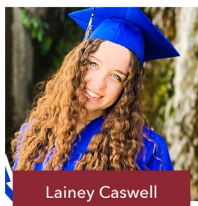
Hughes in the Community

Kirk-Bear Canyon Public Library

Members of the Friends of the Kirk-Bear Canyon Public Library, Hughes Federal Credit Union, the Autistic Society of Southern Arizona and librarians unveiled a new sensory program geared to the needs of neuro-diverse and Autistic children. The program is the first for the Pima County Public Library system and was made possible through more than \$117,000 in donations from Hughes since 2018.



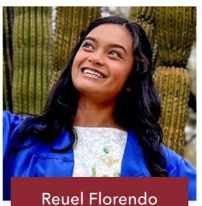
Camille Beeson



Lainey Caswell



Haeleigh Chipman



Reuel Florendo



Sierra Jenkins



Ethan Jones



Ashley Thommana

17th Annual Scholarship Program

Hughes Federal Credit Union selected seven high school seniors who received a \$2,000 scholarship in support of their continuing education.

Since 2005, Hughes has granted over \$100,000 in scholarships to deserving high school graduates entering college or trade school.



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