



2024

Annual Report



Hughes
Federal Credit Union

2024 Board of Directors' Report

Juan F. Gonzalez, Board Chairman

The Hughes Federal Credit Union Board of Directors is honored to present the 2024 annual report to our membership. This past year, the national economy was noted for its instability, cost-of-living inflation, tightening of loan availability, increase in personal debt, bank liquidity reduction, and a stock market that moved mostly sideways. Even under these challenges, Hughes Federal Credit Union made progress toward our goals and objectives while remaining financially strong.

Continued Growth and Financial Strength

Our strategies continue to be 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, proactively protect membership data, anticipate local and national economic changes, prepare for the foreseeable challenges, and how best to take advantage of the forthcoming opportunities.

During the last year, the Hughes Board of Directors reviewed employee compensation programs and upgraded those to provide an exceptional package for our employees. A well-compensated employee will provide our members with “best of class” services. Our Credit Union grew while we provided exceptional services to our members and enhanced our community outreach programs with the support our members value.

During 2024, we managed to remain well capitalized to provide the liquidity required by the government auditors for the federal insurance funds to cover the individual accounts to \$250,000. We continue to have strong capital and income growth, which allows us to provide you with competitive rates in savings accounts, Certificates Accounts, and Money Market Accounts.

Awards and Community Recognition

In 2024, Hughes continued to be recognized as a “Best-in-State” Credit Union in Arizona by Forbes. Forbes evaluates financial institutions based on the products and services they offer their members.

Hughes has been rated as a Five-Star “Superior” or Four-Star “Excellent” financial institution by Bauer Financial since 1991. Bauer evaluates Financial Institutions annually based on their financial soundness and strength.

Also, Hughes was voted Best Debit Card, Best Place to Work, and Favorite Financial Institution by the Arizona Daily Star Readers' Choice Awards.

Hughes was recognized by the San Miguel High School for our corporate work-study program and was additionally awarded the Student Choice Award for being the best employer.

Community Outreach

Hughes celebrated the remodeling and grand re-opening of the Pantano Branch. The grand re-opening was celebrated on April 8-12, 2024. This event marked the completion of renovations aimed at enhancing the branch's facilities for our members.

Hughes actively promotes financial literacy among youth through various educational partnerships, including collaboration with local school districts and community associations.

Hughes continues to support various veterans, first responders, and military organizations: Arizona Heroes Memorial, Rocking for Heroes, Esperanza in Escalante, Erik Hite Foundation, the Fisher House, All Post American Legion, Freedom Warriors, and La Frontera Behavioral Health.

Hughes supports the Tucson Wildlife Center, Children Miracle Network, Banner Health, Arizona® Athletics, Girl Scouts of Southern Arizona, and Angel Charity for Children.

Hughes awarded \$14,000 in scholarships in 2024 to seven noteworthy high school seniors. They competed with other seniors and were selected based on their essay writing.

Governance

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

Path Forward

The Hughes 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 member's financial situation. We will continue participating in community outreach programs to improve the community we are so proud of.

The Hughes Federal Credit Union Board of Directors thanks our management and staff for their commitment and support of our Credit Union operations. We also thank our members for their valued loyalty and support.

Sincerely,

Juan F Gonzalez

Juan F Gonzalez

Chairman, Board of Directors

"We will continue to provide services with the opportunity to enhance our member's financial situation."

**BEST-IN-STATE
CREDIT UNIONS**

**Forbes
2024**

POWERED BY STATISTA



**Best Debit Card
Favorite Financial
Institution
Best Place
to Work**

Hughes by the Numbers



72 Years
Serving Southern AZ



188,151
Members



2.3 Billion
Assets

2024 Annual Treasurer's Report

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-three years later, Hughes Federal Credit Union reports that it remains a safe and sound financial institution for meeting your saving, investing, and lending needs.

Hughes Federal Credit Union continued to face the same challenges as most financial institutions in 2024. Elevated interest rates, tight liquidity, and consumer financial hardships associated with inflation.

Even through the various challenges of 2024, your credit union ended 2024 by growing membership by 6% to 188,151. Assets grew by \$360 million or 18% to \$2,349,234,469. Loans grew by \$310 million or 18% to \$2,019,238,698.

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-three years solely to benefit its member-owners.

During 2024, Hughes Federal Credit Union generated \$175,108,664 in gross income. After paying operating expenses and distributing over \$58 million in member dividends, Hughes Federal Credit Union increased its net capital by \$3,056,726.

During 2024, Hughes Federal Credit Union granted 51,119 loans to members for a total of \$860,394,630. Total outstanding loans at year-end were \$2,019,238,698. Since granting its first loan on February 8, 1952, your Credit Union has granted 594,260 loans totaling nearly 9 billion dollars.

Since 2020, your Credit Union has grown over 42% in assets, 39% in deposits, 56% in member loans, and 57% in capital. This high level of growth ensures Hughes Federal Credit Union remains one of Arizona's strongest and safest financial institutions.

Hughes has been rated as a Five-Star "Superior" or Four-Star "Excellent" financial institution by Bauer Financial since 1991.

Hughes offers a wide array of products and services designed to simplify and improve your financial life, like one low-rate loans, 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 savings products such as Money Market and term share IRA accounts. These accounts, fully insured by the National Credit Union Administration (NCUA) 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.

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, 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 setting the strategic direction for the credit union. This includes ensuring the offering of 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 continues to grow, and throughout the past seventy-three 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.



Andrew Britton
Treasurer and President/CEO

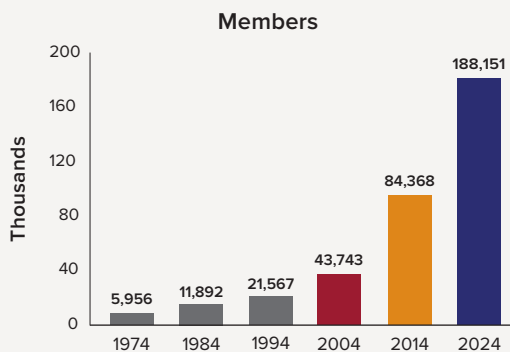
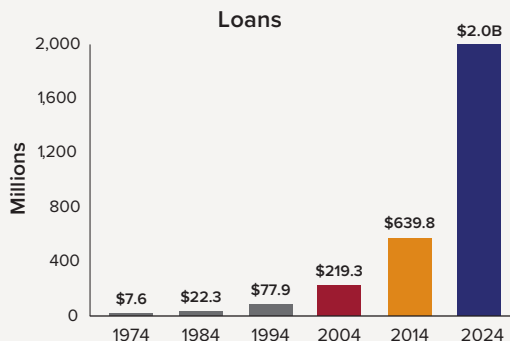
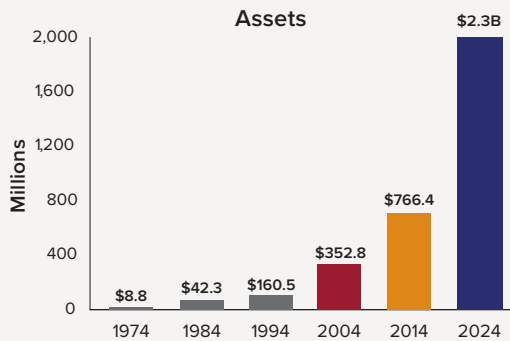


"For 73 years, Hughes has remained a member-owned and operated financial cooperative in existence solely for the benefit of you, our members."



Supervisory Committee Report

Kelly Terhune Neely, Supervisory Committee Chairperson



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 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 your Supervisory Committee performs to ensure 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 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 Hughes.

We want to acknowledge the excellent work completed daily by the Hughes 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.

2024 Financial Statement

December 31, 2024, Unaudited

BALANCE SHEET

Assets

Loans to Members	\$2,019,238,698
Less: Allowance for Loan Losses	\$(37,090,806)
Net Loans Outstanding	\$1,982,147,892

Cash and Checking	\$4,823,394
Investments	\$1,990,195
Deposits in Corporate Credit Unions	\$259,764,991
Land and Building	\$36,204,379
Furniture and Equipment	\$11,095,761
NCUSIF Deposit	\$19,811,698
All Other Assets	\$33,396,159
Total Assets	\$2,349,234,470

Liabilities and Equity

Shares	\$1,161,213,513
Term Shares	\$778,437,651
Non-member Shares	\$142,753,000
Total Savings	\$2,082,404,164

Dividends Payable	\$55,058
Accounts Payable	\$20,365,908
Notes Payable	\$20,000,000
Reserve for Contingencies for Future Stabilization	\$218,318,046
Undivided Earnings	\$8,091,293
Total Liabilities and Equity	\$2,349,234,470

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$128,680,422
Income from Investments	\$22,388,851
Other Operating Income	\$24,039,391
Total Operating Income	\$175,108,664

Operating Expenses

Employee Compensation	\$20,269,211
Employee Benefits	\$5,121,733
Travel and Conference Expenses	\$436,251
Association Dues	\$145,083
Office Occupancy Expense	\$3,108,598
Office Operations Expense	\$14,118,072
Educational and Promotional Expense	\$3,987,873
Loan Servicing Expense	\$9,702,669
Professional and Outside Services	\$10,806,497
Provision for Loan Losses	\$40,521,006
Operating Fees (NCUA)	\$362,535
Interest on Borrowings	\$1,151,623
Other Operating Expenses	\$3,776,385
Total Operating Expenses	\$113,507,537
Net Income Before Distribution	\$61,601,127

Distribution of Net Income

Dividends	\$58,544,400
Undivided Earnings and Reserves	\$3,056,727
Total Distribution of Net Income	\$61,601,127



2024 Board of Directors



Juan Gonzalez
Chairman



Rich Miller
Vice Chairman



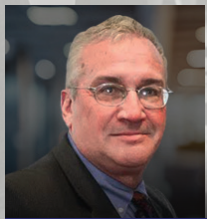
Andrew Britton
Treasurer,
President/CEO



David Ortega
Secretary



Ashesh Bhalala
Member



Charles La Due
Member



Fabian Cordova
Member



Sharon Shaum
Member



Jim Hall
Member

2024 Supervisory Committee



Kellie Terhune Neely
Chairperson



Linda Grigsby
Secretary



Robert Shaub
Member

Nominating Committee Report

Submitted by Elsa Jacklitch, Phoebe Chalk-Wadsworth, and Cathy Solverson

The Nominating Committee submitted the following names of candidates to serve on the Hughes Federal Credit Union Board of Directors. There are four openings on our board. The top three candidates receiving the highest number of votes will each serve a three-year term. The candidate with the fourth highest number of votes will serve the remaining two-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.



Ashesh Bhalala*

Ashesh Bhalala has been a member of Hughes Federal Credit Union for 38 years. He was on the supervisory committee at the Credit Union from 2002 to 2012 in various capacities including as Chairman of the supervisory committee. He has served

on the Board of Directors at Hughes Federal Credit Union since 2013.

Mr. Bhalala was an Associate Director at Raytheon Missile Systems Company and worked and led engineering design and development projects from 1985 until his retirement in 2020. He is currently a consultant at Raytheon and provides significant programmatic support on various development projects. He remains engaged 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.



John Candito

John Candito is a highly accomplished professional with 25 years of diverse experience spanning healthcare, commercial, and government and defense industries. He holds a Bachelor of Science in Finance from the University of Arizona, an MBA from

the University of Phoenix, and a Master of Science in Supply Chain Management from the University of San Diego, where he graduated as valedictorian.

Throughout his career, John has excelled in roles with Raytheon Missile Systems, Sargent Aerospace and Defense, Banner Health, and Yuma Regional (Onvida Health) Medical Center. His expertise includes Supply Chain Management, healthcare leadership, government and defense, and manufacturing.

With financial responsibility for managing budgets exceeding \$260 million annually, John has honed advanced leadership skills and developed a deep understanding of customers' unique needs across differing industries. He has consistently driven world-class innovation and efficiency in supply chain and operations management.

In addition to his professional achievements, John is an accomplished national conference speaker, expert panelist, and author. He is also an avid sports fan, coach, and home improvement and financial investing hobbyist.



Rocco Freed

Rocco Freed is the VP of Sales at BlueInk, a leading signature software company that partners with banks and fintech companies nationwide to streamline the document signing processes. Rocco has led sales teams in the US and internationally,

overseeing revenue strategy, driving growth, and expanding market share. With a strong background in sales, marketing and business development, Rocco will bring a unique perspective by combining expertise in the tech space with hands-on experience working with financial institutions.

Rocco's core values of innovation, collaboration and building meaningful relationships guide his approach to leadership.



Scott Freeman

Scott Freeman is a seasoned IT and telecommunications professional with extensive experience in engineering, cybersecurity, program management and leadership within the federal and military sectors. Currently, he serves as the Director of Operations for All

Native Group in Sierra Vista, a role he has held since 2017. In this capacity, he oversees business development for a \$300 million consulting firm specializing in IT, cybersecurity, telecommunications, professional services, Health IT, project management and logistics. His skills also include discerning the best capital investment opportunities that will manifest the greatest ROI for the program.

Prior to this role, Scott served as a Program Manager and Systems Engineer, where he managed planning, contract administration, client relations, risk mitigation, and continuous improvement. His efforts delivered \$150 million in new revenue as well as \$6 million in unprogrammed revenue by preventing contract divestment and reworking existing agreements to maximize quality and efficiency.

Nominating Committee Report

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Scott holds a Bachelor of Science in Information Systems Management from the University of Maryland. As a United States Army veteran with an active top-secret Department of Defense security clearance, Scott has demonstrated a steadfast commitment to service and excellence.



Jim Hall*

Jim completed both an undergraduate and advanced degree at the University of Arizona, where he developed a strong foundation in educational psychology and student support. Certified as a school psychologist, he served two local school districts for

over nine years, helping countless students and educators navigate educational and emotional challenges. Jim then made a successful transition into the financial planning field. In 1992 he earned the Certified Financial Planner® designation and began a ten-year tenure with USAA Insurance Companies, advancing to Western Regional Director. Following this, Jim took on a leadership role at Hughes Federal Credit Union, where he managed the financial planning department for twelve years and retired as Vice President/General Manager.

In retirement, Jim continued to contribute expertise to Hughes Federal Credit Union by joining the Board Supervisory Committee, where he served for seven years as member, secretary, and ultimately Chairman. In 2024, Jim was appointed to the Hughes Board of Directors, actively contributing on the Cybersecurity and New Business Committees.

Outside of his professional commitments, Jim enjoys golf, gardening, and finding time to unwind outdoors. He is also committed to community service and volunteers regularly with the Community Food Bank, giving back to support those in need. Blending a wealth of experience in both the educational and financial field, Jim brings a compassionate and strategic approach to every endeavor.



Charles La Due*

Mr. La Due has been a member of Hughes Federal Credit Union since 1978 when he joined Hughes Aircraft Company. In 2022, Mr. La Due was elected to the Board of Directors, after serving 8 years on the Credit Union's Supervisory Committee. As a member

of the Board of Directors, Mr. La Due has been actively involved in developing growth strategies, has participated on a number of standing Credit Union committees, and has been a member of the Credit Union's CEO search and Executive Compensation committees.

During his tenure on the Board and Supervisory Committee, Mr. La Due has gained a unique, deep, and broad understanding of Hughes Credit Union's role and responsibility to its members and the local community. In his position on the Board, Mr. La Due continues to represent, promote, and assure the interests of the Credit Union's membership.

Mr. La Due has a Bachelor's Degree and Master's of Science in Electrical Engineering. He also has a Master's in Business Administration, and a Master's of Science in National Resource Strategy. At Hughes/Raytheon, he managed a multi-billion-dollar program and developed capture strategies to support national and international program acquisitions.

Charles looks forward to continuing the exceptional opportunity that being a member of the Hughes Board provides. He will apply his breadth of education, management, and credit union experience to further the needs of the Credit Union's membership and the community.



Brek Montoya

Brek Montoya brings more than 20 years of progressive experience across emergency medicine, customer service, management, media, and fitness industries. He is currently the Director of Emergency Services and Paramedic Supervisor for MedFire

Emergency Management and Firefighter for Helmet Peak Fire Dept. He is also an EMS Instructor for PCC and the Public Safety and Emergency Services Institute and the CEO/President of Freeflying Media. With a strong background in leadership, Brek has held positions such as CEO, President, Director of Operations, Training Manager, and General Manager, working at renowned organizations like Reebok Sports Club NY, Canyon Ranch, LA Fitness, AMR, Tucson Local Media, Gap Inc, and the University of Arizona.

A dedicated community leader, Brek serves on the Boards of Mobile Meals of Southern Arizona, the LGBT Education Foundation, and Arizona Skycats. He has also served on the boards of the Greater Vail Chamber of Commerce, VailFest

Nominating Committee Report

Submitted by Elsa Jacklitch, Phoebe Chalk-Wadsworth, and Cathy Solverson

Committee, and is a Greater Tucson Leadership Alumni. His commitment to service and leadership extends into his professional expertise as a certified firefighter, paramedic, and college-level instructor.

Academically accomplished, Brek is completing his degree in EMS at the University of Arizona, with plans to pursue a MS in Nursing Practice and MA in Management. His diverse skill set includes volunteer coordination, media strategy, fitness coaching, emergency services and operational management expertise.

As a licensed skydiver and NOH8 campaign-sponsored athlete, Brek embodies a passion for living life to the fullest. He approaches challenges with a first responder's mindset, bringing calm under pressure, strategic problem-solving and a commitment to excellence. His philosophy is simple: "80% of success is showing up."



Sharon Schaum*

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

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 includes various leadership positions throughout her banking tenure. These include 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. She also holds a Master of Business Administration in Global Management

from the University of Phoenix. She has a Bachelor of Science in Business Management from the University of Phoenix. Sharon has been on the Board of Directors since 2023.

Pete Wilke



Pete Wilke brings a distinguished career in both military and civilian aviation. He served as an officer in the United States Marine Corps for 12 years, where he was an Aircraft Commander for the KC-130, a Weapons and Tactics Instructor, and a Combat Engineer Officer. His service

highlights include leadership in mission-critical operations and advanced training roles.

Following his military career, Pete became a pilot with Delta Airlines, where he progressed from Second Officer to First Officer and later to Captain, demonstrating exceptional skill, leadership, and responsibility in commercial aviation. He has been an active member of the Airline Pilots Association, contributing to advancing professional standards in the aviation industry.

Pete graduated from the University of Montana with a degree in Political Science. He's committed to service, which extends to his involvement in various homeowners' associations, including a leadership role with a variety of homeowner associations in California and Arizona.

Dedicated to nonprofit leadership, Pete has earned certifications from BoardSource® and FI-360, including a Certificate of Nonprofit Education and the Accredited Investment Fiduciary designation during his 20 years of service with Delta Pilots Mutual Aid. His expertise in fiduciary responsibility enhances his ability to support organizations in achieving their missions effectively.

Through decades of leadership, service and community involvement, Pete has built a reputation for integrity, strategic decision-making, and a commitment to excellence.

***INCUMBENT SERVING ON BOARD**

Hughes in the Community



Empowering Students Through Earn to Learn

Hughes Federal Credit Union is a proud partner of Earn to Learn, the largest and most successful matched-savings scholarship program in the United States. Through this program, students gain financial literacy training, open matched savings accounts, and build scholarships to support their education.

This year, we had the privilege of meeting three incredible students who have benefited from Earn to Learn. Their dedication, perseverance, and success stories are truly inspiring.

Watch the video above to hear firsthand how this program has transformed their educational journey.

Arizona Financial FaceOff

Hughes Federal Credit Union is a proud sponsor of *Take Charge Cats* at the University of Arizona, whose goal is to develop financial literacy in youth throughout Arizona by providing free workshops to organizations, schools and institutions in Tucson. All services are free, and Hughes participates in many of these workshops in collaboration with *Take Charge Cats*. Once a year, *Take Charge Cats* hosts The Arizona Financial Face-off (AFF). In this personal finance-focused competition, students can apply the knowledge acquired in the *Take Charge Cats* workshops and win big for their school or organization. This free competition is open to all schools/groups in Southern Arizona who have hosted *Take Charge Cats* workshops in personal finance.



San Miguel Work Study Program

Hughes was recognized with two awards from the San Miguel High School's Corporate Work Study Program (CWS). The recognition was for the 15-year Partnership Award and the Student Choice award.

Interns learn the skills necessary to be successful in a professional career while earning money to support the cost of their college preparatory education. Hughes covers the cost associated with their education.



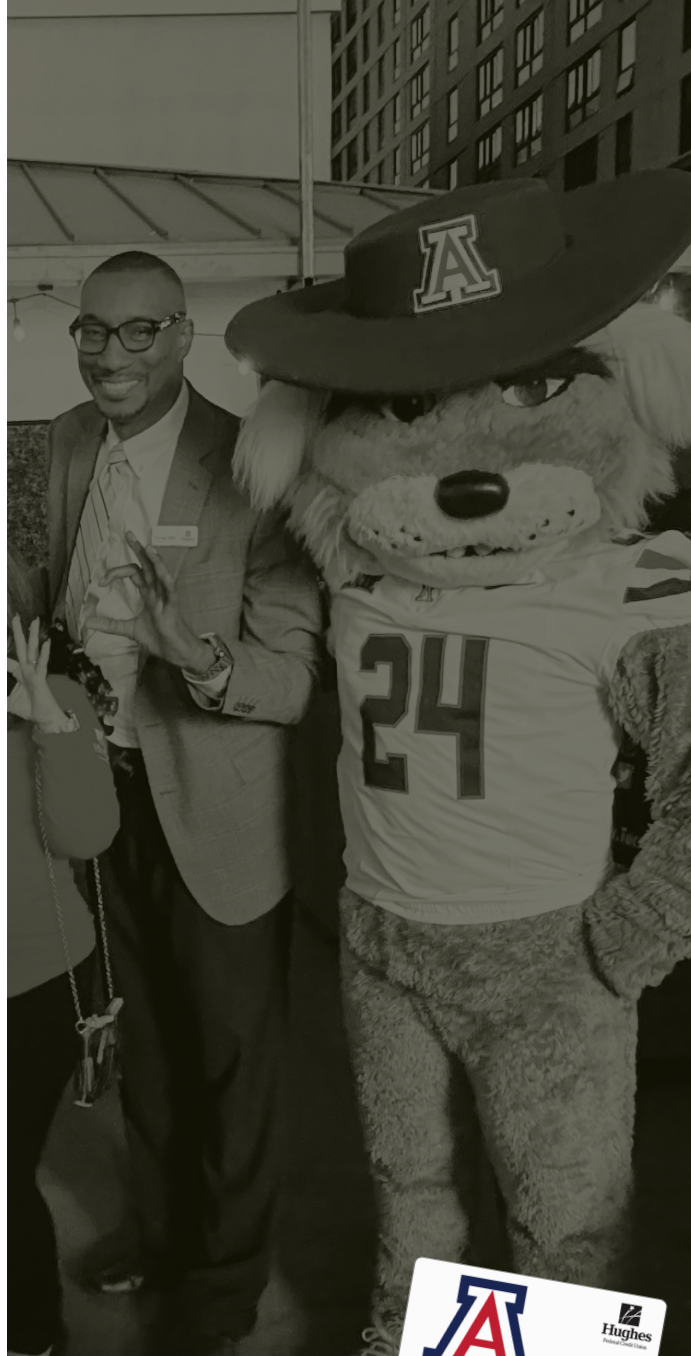
Over the Edge

Hughes had two amazing volunteers rappel down the 5151 Broadway building, raising \$1,000 each to support Girl Scouts of Southern Arizona. Thanks to their courage and the support from our community, these funds will go directly to empowering girls with enriching programs.



Educating Our Communities

As part of our ongoing commitment to community impact, Hughes Federal Credit Union prioritized financial literacy in 2024, delivering educational resources and programs designed to empower individuals and families. Through workshops, online tools, and personalized guidance, we helped members at every stage of life build financial confidence, improve money management skills, and make informed decisions for a more secure future.



As a proud sponsor of Arizona® Athletics we introduced two new Debit Cards designs, featuring the Block A.





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