



2019

ANNUAL
REPORT

DMadaras

“Painted Sky” original artwork by local award-winning artist Diana Madaras.

Members can get this exclusive Madaras debit design instantly issued at any branch location, excluding our Voyager branch. Debit cards are also available online at HughesFCU.org/Debit.



2019 Board of Directors' Report

Submitted by Juan F. Gonzalez, Board Chairman

Continued Growth and Financial Strength

The Hughes Federal Credit Union Board of Directors is proud to present the 2019 annual report. Our Credit Union experienced another year of unprecedented growth. We increased our membership, services and opportunities to our members while maintaining a strong, stable, and secure financial foundation. We substantially grew our assets in 2019 thanks to a combination of business decisions, first-class service, and membership support. We look forward to improving our services using technologies involving membership access and information security to help our members to reach their financial goals.

Awards and Community Recognition

Awards and recognition result from our talented management and staff and their commitment to provide a positive difference in the financial lives of our members.

- Forbes named Hughes one of Arizona's "Best-in-State Banks and Credit Unions" for a second consecutive year. This prestigious designation was published in the 2019 rankings on June 25, 2019. Banks and credit unions were ranked nationally on recommendation, satisfaction, trust, terms and conditions, branch services, digital services and financial advice.
- Hughes received another five-star "Superior" rating from BauerFinancial. This makes 118 consecutive quarters (29.5 years) in which Hughes rated as a "Excellent" or "Superior" financial institution.
- The Arizona Daily Star recognized Hughes in their Readers' Choice Awards as a "Favorite" in the following categories:
 - Best Bank/Credit Union
 - Best Business Banking
 - Best Credit Card
 - Best Debit Card
 - Financial Planning Services
 - Membership Organization
- The Credit Union National Association (CUNA) awarded Hughes with three Diamond Awards recognizing outstanding marketing and business development achievement in the credit union industry. This is the 10th consecutive year Hughes is recognized with CUNA's top honor. The award was presented on March 22, 2019 at the 26th annual conference held in Las Vegas, NV.

Community Outreach

Our commitment goes beyond that of our members. We support our community through various programs and outreach events.

- Hughes granted \$10,000 to local high school seniors in 2019. Since 2005, we have granted \$80,000 in scholarships.
- Local artist Diana Madaras designed our new debit card "Bobcat at the Pool." For every card issued, Hughes donates \$5 to the Tucson Wildlife Center. The Tucson Wildlife Center is Southern Arizona's state-of-the-art wildlife hospital. Since the inception in November 2019, we have generated \$4,240 for the Tucson Wildlife Center.
- We increased the reach of our financial education programs by 18% in 2019. Our financial classes are offered to students and to non-profit organizations.
- We support the University of Arizona in many ways.
 - Over 30 programs and athletic teams
 - Banner Diamond Children's Medical Center
- Additional events and community driven programs:
 - Shred-a-thon (free document shredding services provided several times a year).
 - Mobile Moments campaign. Focused on providing mobile banking benefits to members.
 - Checking PLUS vacation packages.

The Hughes Federal Credit Union Board of Directors thanks our management and staff for their commitment and support of our Credit Union operations. Special thanks to our members for their loyalty and support. We wish you a healthy and prosperous 2020. ■

Congratulations, Tara!

Our own Tara Tocco, Hughes Internal Audit Manager, won a national award, 2019 Randy Manscill Excellence in Service Award from the Association of Credit Union Internal Auditors (ACUIA). Ms. Tocco was also elected to the ACUIA board of directors.



2019 Annual Treasurer's Report

Submitted by Robert J. Swick, Treasurer

2019 was another year of strong growth for Hughes Federal Credit Union. Hughes marked 2019 by setting record growth in member savings and Credit Union assets. At yearend 2019, member savings equaled \$1,254,274,526.29, an increase of \$238,502,282.71 or 23.48% over the previous year. Credit Union assets totaled \$1,394,851,221.55, an increase of \$251,590,070.08 or 22.01% compared to total assets at yearend 2018.

While asset and member savings growth were strong in 2019, loans to members decreased. At yearend, total loans to members equaled \$1,009,383,344.37, a decrease of 3.55% from the previous year. Hughes granted 20,360 loans to members during 2019, totaling \$387,752,445.16.

During 2019 the Credit Union produced \$73,520,659.37 in gross income. After paying operating expenses and distributing member dividends, Hughes increased its net capital by \$10,643,565.46. Our increased net capital helps ensure continued financial strength and stability for our Credit Union.

2019's strong financial performance earned Hughes another BauerFinancial 5-Star (Superior) rating. The Credit Union has now earned a 5-Star (Superior) or 4-Star (Excellent) BauerFinancial rating for 118 consecutive quarters or over 29.5 years. If you would like to learn more about Hughes Federal Credit Union's 5-Star rating, visit BauerFinancial.com and click on Credit Union Star Ratings.

Hughes ended 2019 with 131,706 members, a net increase of 4,771 members or 3.76% 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 means ownership in a local, Better Business Bureau-accredited and A+ rated full-service financial institution that has existed for over sixty-eight years solely to benefit its member owners.

Continued on page 4.

2019 Financial Statement

December 31, 2019, Unaudited

BALANCE SHEET

Assets

Loans to Members	\$1,009,383,344
Less: Allowance for Loan Losses	13,346,822
Net Loans Outstanding	\$996,036,522

Cash and Checking	\$4,817,178
Investments	989,267
Deposits in Corporate Credit Unions	348,038,555
Building	19,326,849
Furniture and Equipment	4,167,645
NCUSIF Deposit	10,136,059
All Other Assets	11,339,147
Total Assets	\$1,394,851,222

Liabilities and Equity

Shares	\$865,295,452
Term Shares	388,979,074
Total Savings	\$1,254,274,526

Dividends Payable	\$2,255,405
Accounts Payable	10,318,185
Regular Reserve	5,617,484
Reserve for Contingencies for Future Stabilization	118,847,864
Undivided Earnings	3,537,758
Total Liabilities and Equity	\$1,394,851,222

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$55,226,615
Income from Investments	3,474,393
Other Operating Income	14,819,651
Total Operating Income	\$73,520,659

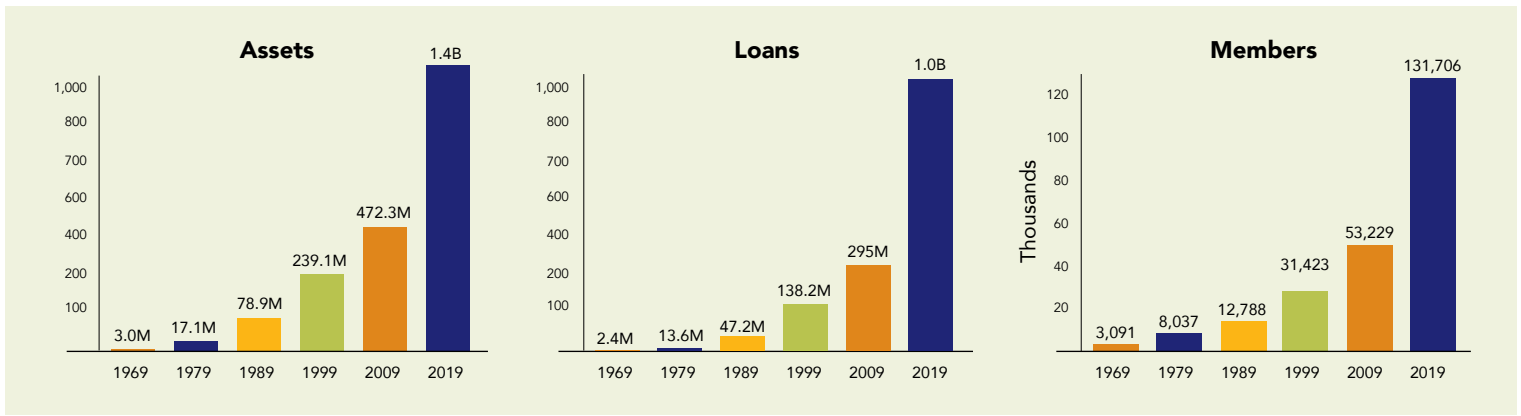
Operating Expenses

Employee Compensation	\$13,079,813
Employee Benefits	3,274,753
Travel and Conference Expenses	273,592
Association Dues	105,856
Office Occupancy Expense	1,663,046
Office Operations Expense	8,419,425
Educational and Promotional Expense	2,275,809
Loan Servicing Expense	4,152,051
Professional and Outside Services	4,255,403
Provision for Loan Losses	12,035,010
Operating Fees (NCUA)	307,941
Other Operating Expenses	1,027,106
Total Operating Expenses	\$50,869,805
Net Income Before Distribution	\$22,650,854

Distribution of Net Income

Dividends	\$12,007,289
Undivided Earnings and Reserves	10,643,565
Total Distribution of Net Income	\$22,650,854

Credit Union Growth



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 exclusively for Hughes 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, 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, 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 everything 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 90 local businesses have signed on and the list keeps growing. A merchant directory can be found at HughesFCU.org/LocalDiscounts. To incent members to try Checking PLUS, Hughes will again conduct a Checking PLUS promotion beginning in May 2020 and running through the end of the year.

To join the over 7,000 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 checking account to Checking PLUS keep their account number, checks, debit cards, bill pay and digital 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 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 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 continues to grow and throughout the past sixty-eight 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. Thank you to the 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 2020. ■

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.

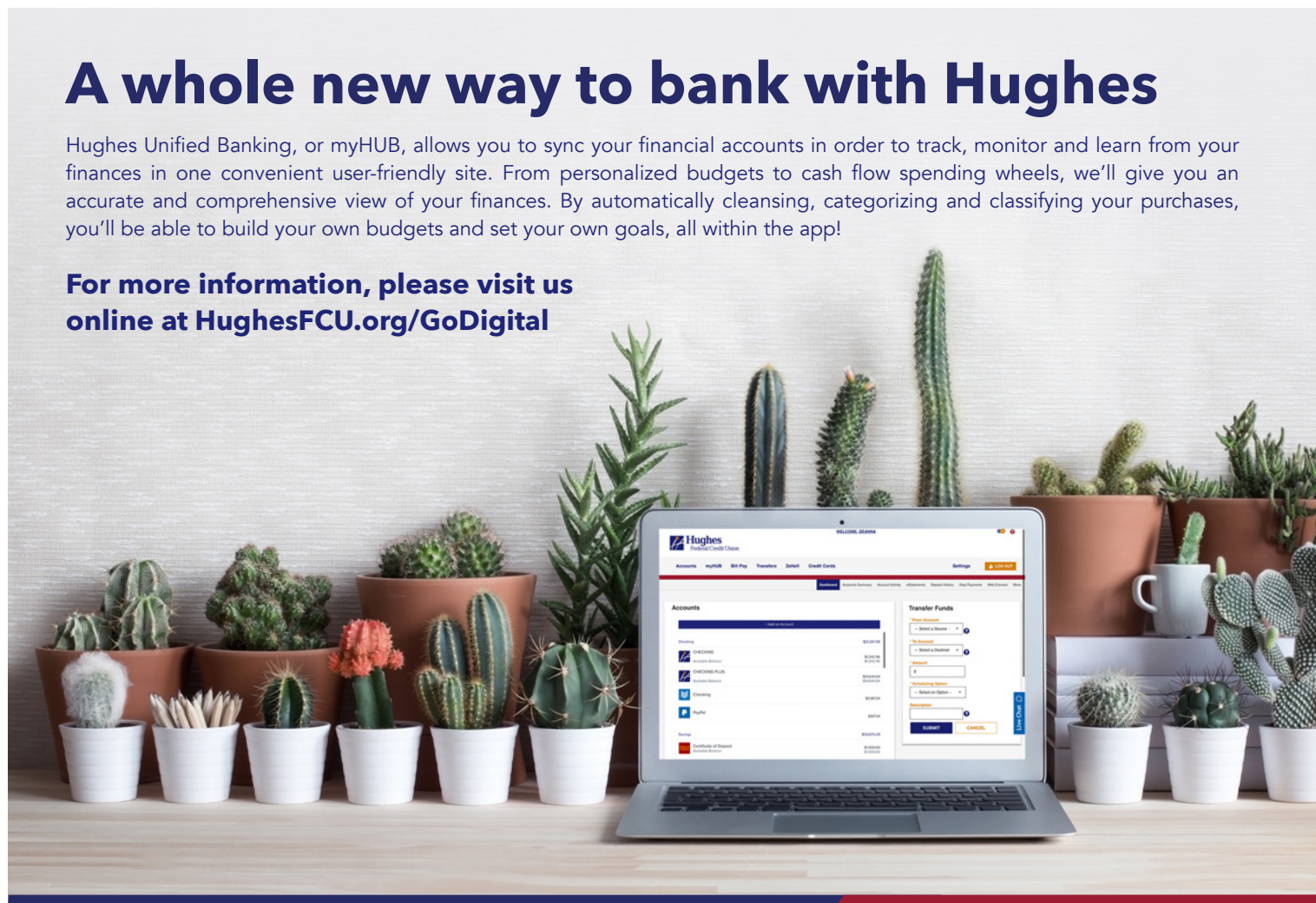
We would like to acknowledge the excellent work completed every day by the Hughes internal audit team that ensures continuing compliance with the many rules and regulations.

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. ■

A whole new way to bank with Hughes

Hughes Unified Banking, or myHUB, allows you to sync your financial accounts in order to track, monitor and learn from your finances in one convenient user-friendly site. From personalized budgets to cash flow spending wheels, we'll give you an accurate and comprehensive view of your finances. By automatically cleansing, categorizing and classifying your purchases, you'll be able to build your own budgets and set your own goals, all within the app!

**For more information, please visit us
online at HughesFCU.org/GoDigital**



Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and John Sansbury

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 at the annual meeting. Must be present to vote. One vote per primary member. No nominations are accepted from the floor. ■



Ana Archer

Throughout her career, Ana managed and developed various departments and initiatives at Michigan State Government. She assisted directors, councils, superintendents and the governor before retiring in 1999 after 32 years. Her vast experience in education, government,

retirement and community health has allowed her an opportunity to help the people in her community.

Additionally, Ana has served on the credit, nominating and supervisory committees of State Employees' Credit Union, Tucson Old Pueblo Credit Union and Vantage West Credit Union.

Ana earned her business degree from Western Michigan University in 1987. ■



David Clauer

David hopes to bring his extensive knowledge in aerospace and military defense finance to the Hughes Federal Credit Union Board of Directors.

Throughout his career, David provided financial solutions, reporting and support to various programs and departments,

before he retired in 2017 after 23 years at Raytheon Missile Systems.

David earned his Bachelor of Science degree in accounting from California State Polytechnic University in Pomona (Poly-Tec). David has been a longstanding member of Hughes Federal Credit Union for the last 20 years. ■



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

20 years. He currently serves on committees in charge of annual meetings, facilities planning, and new service. For the past 4 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 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. ■

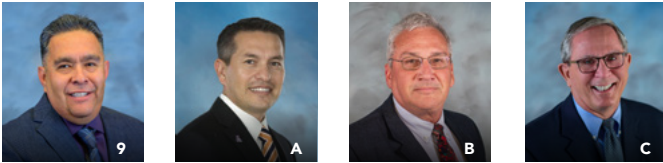
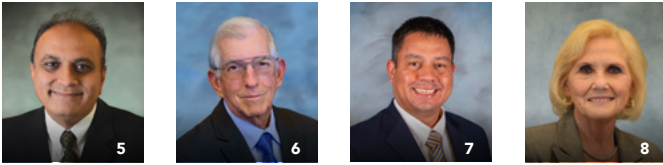


Chad Marchand*

Chad has been a member of Hughes Federal Credit Union since September of 2017. Chad, born and raised in Omak, Washington, is an enrolled member of the Colville Confederated Tribes. He has an A.A.S. from Wenatchee Valley College, a B.A. in political science and history from

the University of Arizona, a master's in public administration from the University of Arizona, a graduate certificate in terrorism analysis from the University of Maryland, College Park, and is currently working on his master's in applied intelligence from Georgetown University. Chad's background includes working in the fields of community justice and national security. Currently, Chad serves as a board member on the University of Arizona Honors College Advisory Board, as well as the University of Arizona Presidential Advisory Council on American Indian Affairs. He serves as president of the Honors College Alumni Club at the University of Arizona, as a board member of the CactusCats Tucson Alumni Club, and is the former president of the American Indian Alumni Club at the University of Arizona. Chad looks forward to the opportunity to volunteer with an organization he knows supports the Tucson community. He welcomes the opportunity to use his background in serving the Credit Union and the Board of Directors. ■

***INCUMBENT SERVING ON BOARD**



2019 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 LaDue** – Secretary
 C. **Jim Hall** – Member
 D. **Robert Shaub** - Member



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 25 years. He has served on the Supervisory Committee and on the Board of Directors for the past 18 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 12 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. ■



Elaine Terry

Having previously served as a human resources executive for Boeing Employees' Credit Union, Elaine has worked closely with boards of directors in the past. She has helped to determine the future strategies, incentive plans and personnel policies of her organization among her many roles.

Elaine was instrumental in the growth of her organization before she retired in 2011 after 25 years of service.

Since 2011, Elaine has been operating her own credit union consulting firm where she provides credit unions and boards of directors with support in their organization, recruiting, policies and with any other human resources related issues and investigations. She hopes to bring her expertise to Hughes Federal Credit Union. ■



HUGHES TAKES TOP HONORS

The Credit Union National Association (CUNA) awarded Hughes with three Diamond Awards recognizing outstanding marketing and business development achievement in the credit union industry. This is the 10th consecutive year CUNA's top honor award was presented to the Hughes Marketing Department.

HughesFCU.org



Hughes
Federal Credit Union

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