



Hughes
Federal Credit Union®

2017

ANNUAL REPORT



Hughes Finger Rock - Original artwork commissioned by local artist Diana Madaras for the Hughes 65th anniversary.

Members can get this exclusive Madaras debit design instantly issued at any branch location, excluding our Voyager branch.

NEW LOCATION
AMPHI H.S.
125 W. YAVAPAI ROAD
TUCSON, ARIZONA

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 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 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 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 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. ■



ANNUAL MEETING ENTERTAINMENT

The Credit Union is pleased to present Armen Dirdadian as entertainer at our 66th Annual Meeting.

Armen Dirdadian has been a favorite performer of Tucson audiences for more than 40 years. He has played leading roles in Musical Theatre here and various parts of the United States, notably, Tevye in Fiddler on the Roof, a role he has played six times! Armen has also toured China with the UA Jazz Ensemble, singing, "The Best of Sinatra." In November 2017, he debuted as Bass soloist in Handel's Messiah, "Tucson's Messiah Sing In."

In addition, 2018 also marks Mr. Dirdadian's 35th year at the Gaslight Theatre in Tucson. ■



42 YEARS

of outstanding volunteer service to Hughes Federal Credit Union

In December 2017 John Sansbury announced his retirement, after 42 years of outstanding volunteer service to Hughes Federal Credit Union. John served in numerous credit union committees, such as: Credit, Executive, Delinquent Loan, Investment, and Human Resources. John became a board member in 1988, and was elected Chairman in 1990, a position held until he retired in 2017. During that time the Credit Union has grown from one single branch to seven, including the headquarters located on Wetmore Road. John's leadership and inspiration has helped form what this Credit Union is today. For his professional and personal values, we are all going to miss John. We hope him the best in retirement which is well deserved. ■



In memory of volunteer

JULIA NEWMAN

Hughes staff, members and board of directors fondly remember Julia as a volunteer during our Credit Union annual meetings. She passed away just short of her 100th birthday. She was a member of the Arizona Transportation Credit Union until the 1992 merger with HFCU. We wish the best to her family and remember her for her dedicated service and loyal membership. ■



NOMINATING COMMITTEE REPORT

Submitted by Maria Acuna, Magda Campbell and Carol Romero

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 nominees with the three highest number of votes will serve a three-year term. The candidate with the fourth highest number of votes will serve a two-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.



Juan Gonzalez*

Mr. Gonzalez has been a member of Hughes Federal Credit Union for 36 years. Juan's formal education consisted of a B.S. in Mechanical Engineering and a Master in Business Administration. He served in the US Armed Forces as a USAF Fighter Pilot before coming to Tucson. Juan retired as a Senior Manager with more than 30 years of

management experience in engineering design and development working for Hughes and then Raytheon. He joined the Credit Union shortly after starting his work at Hughes and subsequently volunteered as a member of the Supervisory Committee. He served in the Supervisory Committee for 12 years, six of these as the Supervisory Committee Chairman. The Supervisory Committee work gave him an understanding of the Credit Union operations and exposed him to the issues and concerns of the membership. Subsequently, Juan was elected to the board of directors in which capacity he served for the balance of his 31 years as a volunteer in the Hughes Federal Credit Union. During this time he was actively involved in numerous management committees. Juan understands and believes in the importance of the Credit Union Philosophy.

Juan welcomes the opportunity to continue to serve the Credit Union membership and board of directors. ■



David Jordan

Mr. Jordan has been a member of Hughes Federal Credit Union since June of 2017. Mr. Jordan recently relocated to Tucson from Albuquerque, New Mexico. Mr. Jordan has a B.A. in Speech and Communications from San Francisco State University and an M.B.A. from Thunderbird School of Global Management. His business management

experience ranges from small business ownership to large corporate operations. In addition to his operations background, Mr. Jordan has directed and rolled-out sales/marketing plans, new processes and procedures and customer service initiatives. Mr. Jordan's leadership qualifications include managing both large and small cross-functional staffs. He has worked one-on-one and with teams focusing on coaching, mentoring and counseling to optimize responsible and accountable performance. Mr. Jordan has served nine years on the Board of Directors for his HOA in Albuquerque. The last three he served as President. In addition, Mr. Jordan has served as Chairman for the Youth Leadership for the Greater Albuquerque Chamber of Commerce (GACC) for four years, was the Vice President for the Board of Directors for New Futures School, Albuquerque and has served Leadership fellowships within the GACC and the Walter Kaitz Foundation.

Mr. Jordan welcomes the opportunity to serve the Credit Union and the Credit Union board of directors. ■



Chad Marchand

Mr. Marchand 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. Chad has an A.A.S. from Wenatchee Valley College, a B.A. in Political Science and History from the University of Arizona, a

Masters in Public Administration from the University of Arizona, a Graduate Certificate for Terrorism Analysis from the University of Maryland, College Park and is currently working on his Master of Professional Studies 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, is a board member of the University of Arizona Presidential Advisory Council on American Indian Affairs, is President of the Honors College Alumni Club at the University of Arizona, is 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. Mr. Marchand looks forward to the opportunity to volunteer with an organization he knows supports the Tucson community.

Chad welcomes the opportunity to use his background in serving the Credit Union and the board of directors. ■



Mary (Cass) Middleton*

Ms. Middleton has been a member of Hughes Federal Credit Union for more than 34 years. She was employed by the Credit Union as Vice President of Operations for 14 years. Ms. Middleton was appointed to the Supervisory Committee in July 2007, and appointed to the board of directors in November 2014.

Prior experience includes 15 years at a major bank rising to the level of Assistant Vice President and Manager of a large retail credit department. She has taught and attended numerous financial related classes at Pima Community College, served for three years as a board member for the Tucson Chapter of the American Red Cross and also served in the United States Air Force.

Ms. Middleton welcomes the opportunity to continue serving the members of Hughes Federal Credit Union and on the board of directors. ■

***INCUMBENT SERVING ON BOARD**

Continued on next page >



David Ortega*

Mr. Ortega has been a member of Hughes Federal Credit Union since 1991. He began serving on the Hughes Supervisory Committee in 2002 within various roles and finished serving as the Supervisory Committee Chair in October 2014 when he became a member of the board of directors. Mr. Ortega also serves on the

Pima Community College Finance and Audit Committee, which was created by the PCC Governing Board to provide additional oversight and monitoring responsibilities of the college's financial, audit and investment related performances, policies, and procedures. The committee also allows for better sharing of financial information with the Governing Board and other constituencies, including the public. David has over 30 years of experience in finance, accounting and business management. He retired from Raytheon Missile Systems in 2014 where he worked as a Financial Analyst for various missile programs during his career. Mr. Ortega has a B.S. in Accounting and M.B.A. from the University of Phoenix. He currently works for the City of Tucson as a Lead Budget Analyst with the responsibility of developing, implementing and monitoring annual budgets of the Tucson Police and Fire Departments.

Mr. Ortega is a retired Master Sergeant of the United States Army Reserve where he served honorably for 25 years. He served two combat tours in Iraq under Operation Iraqi Freedom and was awarded two bronze star medals for his combat service actions and served one combat in Afghanistan under Operation Enduring Freedom where he was awarded the NATO International Security Assistance Force medal.

David firmly believes in serving within his community and is dedicated to helping Hughes Federal Credit Union continue to grow and bring the best services and products to our members. He welcomes the opportunity to continue to serve the Credit Union and board of directors. ■



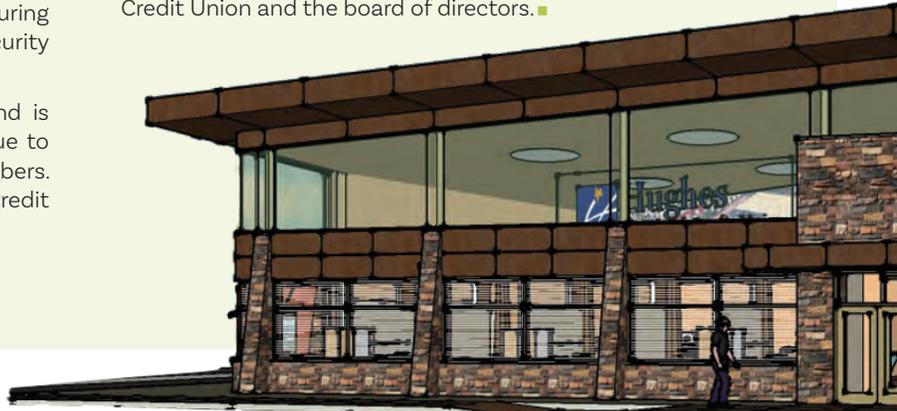
Robert D. Shaub*

Mr. Shaub became a member of Hughes Federal Credit Union in 2001. Robert was raised in Tucson, AZ moving here with parents in 1955. In 1966, he enlisted in the United States Air Force, serving his country from 1966 to 1970. Three of those years he was stationed in the Philippines in which he was in Covert Operations.

Robert Shaub retired in 1996 after 28 years with the United States Department of Agriculture, Food, Safety and Inspection Service in Chicago, Illinois. During this time he was a Supervisory Compliance Officer responsible for three states including Illinois, Indiana and Wisconsin with a staff of eight officers. This entailed cases being written under TITLE 18, the Federal Meat and Poultry Act. Completed cases were provided to the United States Attorney office for their consideration.

After his time in Chicago, Mr. Shaub became a permanent resident of Arizona in 2006, which is also when he became a volunteer helping with our annual meetings. From 2007 to 2017 he was a member of the Supervisory Committee. During this time he was Mail Coordinator, Secretary, and Committee Chairman. He has served on the Budget Committee and Annual Meeting Committee. He also completed all the required Hughes Federal Credit Union annual training. Mr. Shaub was appointed to the Board Of Directors in December 2017.

Mr. Shaub welcomes the opportunity to continue to serve the Credit Union and the board of directors. ■



2017 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. **Mary Middleton** – Member
- 8. **David Ortega** – Member
- 9. **Robert Shaub** – Member

SUPERVISORY COMMITTEE

- A. **Fabian Cordova** – Chairman
- B. **Charles LaDue** – Secretary
- C. **Jim Hall** – Member

2017 BOARD OF DIRECTOR'S REPORT

Submitted by Juan Gonzalez, Board Chairman

116,000

Hughes Federal Credit Union surpassed 116,000 member-owners and \$1.1 billion in total assets in 2017.

WINNER FAVORITE X18

Hughes was recognized as "Winner" or "Favorite" in 18 categories of the Arizona Daily Star's third annual Readers' Choice Awards 2017.

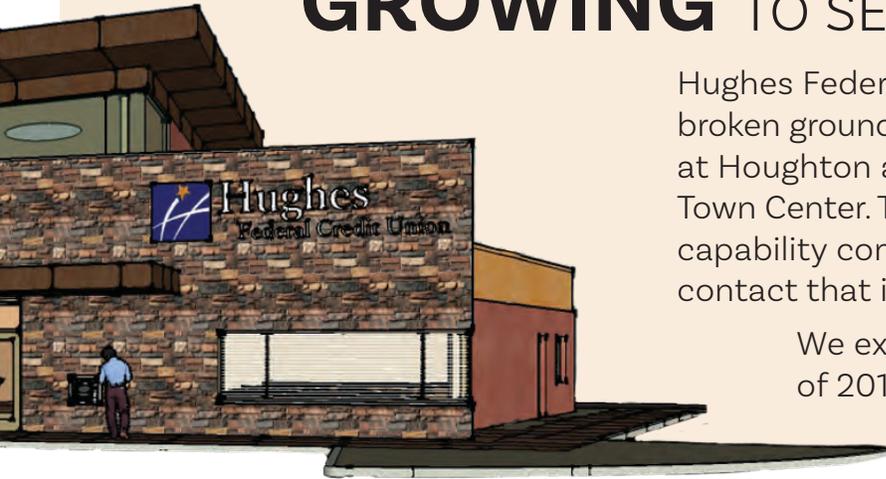
Top 5 IN MARKET GROWTH

Hughes was listed nationally as top 5 in market growth, and top 27 overall performance in S&P's Top Performing Credit Unions. Hughes was the only credit union listed from Arizona.

NAMED TOP 15 CU CREDIT CARD NATIONALLY

The Hughes Platinum credit card was named one of the best credit union credit cards by GoBankingRates.com for its high credit limit, no annual fee and low APR on balance transfers.

GROWING TO SERVE OUR MEMBERSHIP



Hughes Federal Credit Union is excited to have broken ground on our eighth branch location in Vail, at Houghton and Old Vail roads in the Houghton Town Center. This branch will feature state of the art capability combined with the service and personal contact that is delivered at all Hughes locations.

We expect our new branch to open in the fall of 2018. Stay tuned for updates!

\$60,000

Granted in scholarships to local high school students since 2005.

Last year's scholarship winners are:

- 1st Place - Meena Venkataramanan
- 2nd Place - Tia Hunt
- 3rd Place - Davian Peterson
- 4th Place - Brent Hayashi
- 5th Place - Hannah Miller

CONGRATS to these young members!

UPGRADE YET? ASK ABOUT CHECKING PLUS

Checking PLUS is exclusive to Hughes members and offers savings on many products and services.

- Cell Phone Repair Coverage*
- Identity Theft Restoration*
- Lowest Prices & Cash Back on Travel
- PLUS Much More!

For complete details, visit us online at HughesFCU.org/PLUS

*Certain restrictions apply. A \$5.95 monthly fee applies after the free 90-day no obligation trial period.



2017 ANNUAL TREASURER'S REPORT

Submitted by Robert J. Swick, Treasurer

Hughes Federal Credit Union experienced another year of strong growth in 2017. The Credit Union grew in assets, capital, deposits, loans and members for a seventh straight year.

At yearend 2017, Credit Union assets totaled \$1,115,351,962.00, an increase of \$111,830,029.00 or 11.07% compared to total assets at yearend 2016. Member savings equaled \$994,857,411.00 at yearend, an increase of \$98,729,070.00 or 11.02% over the previous year.

Hughes Federal Credit Union granted 22,877 loans totaling \$433,903,907.00 during 2017. At yearend, total outstanding loans to members equaled \$916,624,765.00, an increase of \$79,223,299.00 or 9.46% over the previous year. At yearend 92.14% of member savings on deposit at your Credit Union were outstanding in loans to members. This is important because interest on loans provides the majority of income (76% of gross income in 2017) from which we distribute dividends to our members, pay our operating expenses and increase our net capital.

During 2017 the Credit Union produced \$60,284,480.28 in gross income. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$11,104,865.45, an increase of 11.32% compared to net capital at yearend 2016. Our increased net capital helps ensure continued financial strength and stability for our Credit Union.

Hughes Federal Credit Union's strong financial performance in 2017 earned the credit union another Bauer Financial 5 Star (superior) rating. Hughes Federal Credit Union has now earned a 5 Star (Superior) or 4 Star (Excellent) BauerFinancial rating for 110 consecutive quarters or over 27.5 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.

Strong financial performance combined with continued strong member loan demand has enabled Hughes Federal Credit Union to raise dividend rates on all interest earning deposit accounts. Effective January 1, 2018 dividend rates paid on main shares, savings, checking, health savings checking, money market accounts, IRAs (Individual Retirement Account), IRA term shares and term share accounts, have all been increased. Hughes Federal Credit Union's savings rates have earned the Datatrac Great Rate Awards®. Datatrac is a financial research firm which maintains America's largest interest rate database, comparing rates for more than 100,000 banking locations nationwide. Datatrac certified that Hughes Federal Credit Union offers 22 consumer banking products that outperform the market

average by up to 281%. Current results of this research and a list of the award-winning products can be found at our website.

Hughes Federal Credit Union ended 2017 with 116,656 members a net increase of 10,189 members or 9.57% over the previous year. We encourage our newest members as we do all our members to make the most of their membership. Membership at Hughes Federal Credit Union means ownership in a local, Better Business Bureau accredited and A+ rated full service financial institution that has existed for over sixty-six years solely to benefit its member owners.

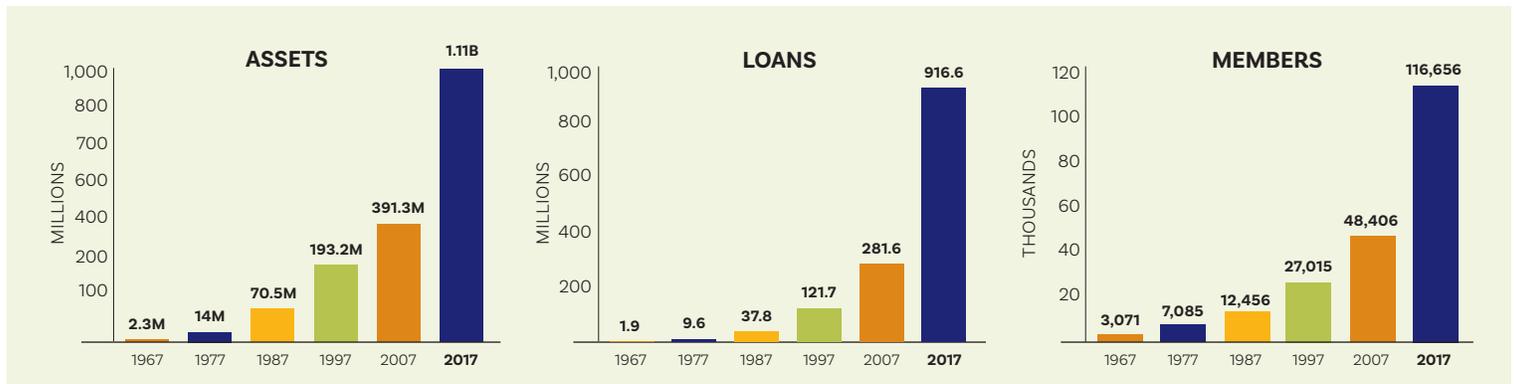
Hughes Federal Credit Union exists solely to service our members' financial needs. The Credit Union has a wide array of products and services designed to benefit our members by saving you time, money and simplifying your financial life. If you have a financial need just ask, chances are your Credit Union can service it.

One product we believe can benefit every member is our checking account. Hughes Federal Credit Union's checking remains the best available; dividends are earned on all balances as there are no minimum balance requirements. Now our checking accounts are even more convenient with the addition of instant issue Visa® debit cards. Open a Hughes Federal Credit Union checking account and receive immediate electronic access to your funds.

This year we are proud to offer our Checking PLUS account, which comes with Benefits Plus®. This new checking account and its benefits are exclusive to 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, account alerts, eStatement, and automatic transfers) with Benefits Plus which offers savings on many products and services you won't find anywhere else. Checking PLUS starts with a free, no obligation 90 day trial which makes it easy to experience everything first-hand. Services include: cell phone repair coverage, identity theft restoration, lowest prices and cash back on travel, movie and entertainment attraction discounts, discounted gift cards and much more. To open a Checking PLUS or to upgrade your existing checking 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, home and online banking making upgrading hassle free. The only thing that changes is that you receive immediate access to all the savings on products and services

CREDIT UNION GROWTH



2017 FINANCIAL STATEMENT

December 31, 2017, Unaudited

BALANCE SHEET

Assets

Loans to Members	\$916,624,765
Less: Allowance for Loan Losses	13,501,423
Net Loans Outstanding	\$903,123,342

Cash and Checking	3,922,166
Investments	967,138
Deposits in Corporate Credit Unions	170,844,979
Building	17,806,508
Furniture and Equipment	4,006,548
NCUSIF Deposit	9,496,867
All Other Assets	5,184,414
Total Assets	\$1,115,351,962

Liabilities and Equity

Shares	\$745,557,357
Term Shares	249,300,054
Total Savings	\$994,857,411

Dividends Payable	1,002,509
Accounts Payable	10,332,928
Regular Reserve	5,617,483
Reserve for Contingencies for Future Stabilization	100,698,382
Undivided Earnings	2,843,249
Total Liabilities and Equity	\$1,115,351,962

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$46,087,508
Income from Investments	1,820,453
Other Operating Income	12,376,519
Total Operating Income	\$60,284,480

Operating Expenses

Employee Compensation	\$10,584,670
Employee Benefits	2,568,374
Travel and Conference Expenses	286,856
Association Dues	86,594
Office Occupancy Expense	1,340,667
Office Operations Expense	6,539,776
Educational and Promotional Expense	2,744,717
Loan Servicing Expense	3,116,383
Professional and Outside Services	3,572,302
Provision for Loan Losses	10,294,658
Operating Fees (NCUA)	229,232
Other Operating Expenses	954,817
Total Operating Expenses	\$42,319,046
Net Income Before Distribution	\$17,965,434

Distribution of Net Income

Dividends	\$6,860,569
Undivided Earnings and Reserves	11,104,865
Total Distribution of Net Income	\$17,965,434

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.

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.

A Hughes Federal Credit Union member-owner who has been the embodiment of what our Credit Union was founded to be is John Sansbury. John has been a Hughes Federal Credit Union official volunteer for 42 years. John began his volunteer service on December 4, 1975 as a Credit Committee member. Back then all member loan applications were required by regulation to be approved by the Credit Committee which was comprised of a small group of members elected by the membership. John spent many of his years as a Hughes Aircraft Company employee reviewing and approving Hughes Federal Credit Union member loan applications during his lunch break and before and after work. John became a member of the Board of Directors in 1988 and was elected Board Chair in 1990 where he has served for the last 27 years. As Board Chair John oversaw the

Credit Union's operations, set our strategic direction and maintained our Credit Union's values. He will be sorely missed by many of us who have had the pleasure of knowing and working with him. We wish John well in his highly deserved retirement.

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

Hughes Federal Credit Union continues to grow and throughout the past sixty-six 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. On behalf of the management, board of directors and staff of Hughes Federal Credit Union we wish you a happy, healthy and prosperous 2018. ■

**NEW
LOCATION**



Hughes
Federal Credit Union®

520-794-8341
HughesFCU.org



66TH ANNUAL MEETING

WHEN: 3pm, Saturday, April 14, 2018

WHERE: Amphi High School Auditorium
125 W. Yavapai Road, Tucson AZ

MEETING AGENDA

1. Call to order
2. Approval of 65th Annual Meeting Minutes
3. Committee reports
4. Unfinished business
5. New business
6. Election
7. Scholarship winners
8. Entertainment by Armen Dirtadian
9. Election results
10. Drawing for cash prizes
11. Adjournment

Hughes Federal Credit Union
PO Box 11900
Tucson, AZ 85734-1900

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PRIZE DRAWING

\$1,500 IN CASH
PRIZES

1st Prize	\$500	
2nd Prize	\$400	You must be
3rd prize	\$300	present to win.
4th prize	\$200	Prize drawing
5th prize	\$100	closes at 3:30.

HANDICAPPED PARKING

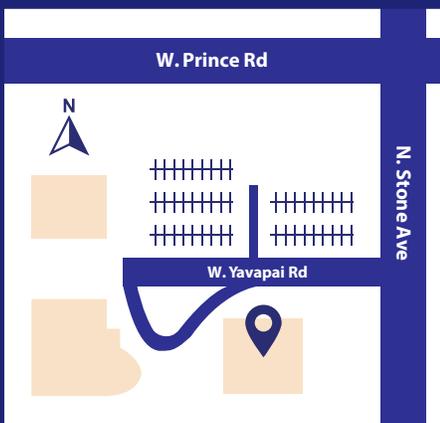
Handicapped parking is available in the main parking lot.

INTERPRETER

An interpreter for the hearing impaired will be provided. The interpreter will be located in the front, right corner of the auditorium.

NOTICE

Photographs and film footage may be taken during this event. By attending this event, you consent to being photographed or filmed. Hughes Federal Credit Union may use the photographs or film in print, digital, video or web based format for its promotional and archival purposes. For further information, please contact us at Email@HughesFCU.org.



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951 E. Hermans Rd

Pantano Branch
280 N. Pantano

Speedway Branch
3131 E. Speedway

Thornsdale Branch
7970 N. Thornsdale

Voyager Resort Branch
8701 S. Kolb

Wetmore Branch*
971 W. Wetmore

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