

ANNUAL REPORT 2016

Celebrating 65 years
of service to our members
and the community



Sean Miller
Sean Miller
The University of Arizona®
Head Men's Basketball Coach
& Pac-12 Coach of the Year



Hughes
Federal Credit Union®

SUPERVISORY COMMITTEE REPORT

Submitted by Robert Shaub, 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 just 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.

Attending the monthly board meetings.

Making branch visits.

Assuring 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. ■



ENTERTAINMENT AT 65TH ANNUAL MEETING

The Credit Union is pleased to present Kids Unlimited as entertainment at our 65th Annual Meeting performing a collection of songs that span through the decades in their show "Everything Old is New Again."

Don't Miss Kids Unlimited

Kids Unlimited is a non-profit 501(c)(3) performing group for children and teens that has been a part of the Tucson community since 1986. With the primary purpose of providing Tucson youth with an opportunity to exhibit their individualism through the performing arts, Kids Unlimited is committed to providing a safe stage for all of those who love to perform. Their goal is to build confidence and self-esteem in all of their performers.

Kids Unlimited started with a cassette deck and a handful of kids that loved to perform. Today they have grown to be an organization that provides a "Safe Stage" for children to express themselves and gain the courage and confidence that is required to become a productive and caring adult and to make the world a better place for the benefit of all. This last year, Kids Unlimited provided well over \$50,000 in scholarships. Their program gives children the chance to express their creativity as they blossom into inspired and successful young adults. ■

Hughes ★
helps

\$80,000 Contributed to local
organizations with \$36,550 towards education

2,231 Hours volunteered by staff

NOMINATING COMMITTEE REPORT

Submitted by Magda Campbell, Jim Hall and Carol Romero

The Nominating Committee submitted the following names to serve on the board of directors. There are three openings on our board. Terms are for three years. In accordance with the Hughes Federal Credit Union bylaws, the election will not be conducted by ballot since there is only one nominee for each position to be filled. Therefore, there will be no ballots cast at the meeting. Nominees will be elected by acclamation at the annual meeting. No nominations will be accepted from the floor. ■

2017 Board Candidates



Willis Fagg*

Willis Fagg retired from Raytheon in 2000 after 34 years in the aerospace industry with increasing responsibilities from engineering designer to program management positions. Mr. Fagg has served on the Hughes Federal Credit Union board of directors for the past 17 years. During his tenure on the board, Mr. Fagg completed 29 modules in the Credit Union's Volunteer Achievement Program, reaching nine different award levels and

has completed 12 modules of the Volunteer Leadership Program, reaching two award levels. He currently serves on the Annual Meeting, Facilities Planning, and New Service Committees; serving as chairman of the Facilities Committee for the past 18 months. Mr. Fagg has a B.S. and M.S. in Engineering and an 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. ■



John Sansbury*

John Sansbury retired from Hughes Aircraft Company in 1995 after 32 years of employment. His career included engineering design and management and from 1997 until 2002, Mr. Sansbury was a consultant for Hughes and Raytheon. He has been a member of Hughes Federal Credit Union since 1972 and has been a Credit Union volunteer since 1975. He has served on numerous Credit Union committees including Credit, Execu-

tive, Delinquent Loan, Investment and Human Resources over the years and became a member of the board of directors in 1988. He was elected chairman of the board in 1990, a position he still holds. Hughes Federal Credit Union remains strong and stable, and Mr. Sansbury appreciates the responsibility he has been given to serve and influence the Credit Union's continued growth and expansion. His objective is to support the Hughes management and staff and to lead the Credit Union in continued growth, strength and in service to our membership and our community. Mr. Sansbury welcomes the opportunity to continue to serve on Hughes Federal Credit Union's board of directors. ■



Richard A. Miller*

Richard Miller was raised in Indiana and joined the Air Force after high school. After four years in Germany, Mr. Miller was transferred to Davis-Monthan where he had the opportunity to receive a B.S. in Accounting

from Park University. In 1999, he joined Raytheon working in accounting, cost estimating and as a financial analyst. He received his M.B.A. from the University of Phoenix and is currently employed by BE Aerospace, a global manufacturing company, as a Program Finance Manager. He retired after completing 20 years in the Armed Services, with the last 13 years in the Tucson Air National Guard as an inventory management technician. Mr. Miller has been a member of Hughes for over 20 years. He has served on the Supervisory Committee for five years and on the board of directors for the past ten years. He has completed 9 volumes in the Credit Union's Volunteer Achievement Program, reaching 2 award levels and currently serves on the Education/Marketing, Facilities Planning, Budget, Compliance, Human Resources and Legislative committees. Mr. Miller 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. ■

**Incumbents serving on the board*

2016 Board of Directors



1



2



3



4



5



6



7



8



9



A



B



C

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

- Supervisory Committee**
- A. Robert Shaub – Chairman
 - B. Fabian Cordova – Member
 - C. Charles LaDue – Member

2016 BOARD OF DIRECTOR'S REPORT

Submitted by John R. Sansbury, Board Chairman

2016 A YEAR OF MILESTONES

CELEBRATING GROWTH IN MEMBERS AND ASSETS

Two thousand sixteen has come and gone in the life of Hughes Federal Credit Union and what a year it was. Two significant milestones were reached in this past year. In August we announced that our membership had exceeded 100,000 which was double what our membership had been a short seven years ago. By the end of the year our total assets exceeded \$1 billion dollars. This growth in both membership and assets has been due in large part to "certified" high rates on savings and products like the Hughes One Low Rate available on most loans, and by having the loyalty and support of our membership since our founding in 1952. ■



WITH GREAT SERVICE COMES AWARDS

Hughes Federal Credit Union continued to receive awards for our outstanding programs and services and commitment to the communities we serve in 2016.

The BauerFinancial 5-Star/Superior Rating

For the past 26 years Bauer has ranked Hughes as Superior or Excellent, even during the recession of 2007 – 2009.



The Arizona Daily Star Readers' Choice Awards

Hughes was awarded top honors in four categories by the readers of the Arizona Daily Star: Best Bank/Credit Union, Best Debit Card, Best Financial Planning Service and Favorite Mortgage Lender.



The GoBankingRates.com

Hughes received Best Customer Service Award and was selected best in the nation by scoring a perfect five out of five in customer service delivery channels, including live chat, 24/7 phone service and social media presence.

The Dora Maxwell Social Responsibility Community Service Award – First Place

Sponsored by the Mountain West Credit Union Association and the Credit Union National Association, this award recognizes the breadth and depth of a credit union's social responsibility in strengthening its community. ■



Maria R. was our 100,000th Member

TOGETHER WE REACHED

\$1 BILLION IN ASSETS





EXPANDING OUR DIGITAL FOOTPRINT



In 2016 we added Android Pay™ and Samsung Pay™ to our Digital Wallet offerings. The new options join Apple Pay® and Hughes' exclusive University of Arizona® Visa®

Debit Cards on a list of products and services available to our 100,000 plus members. There is no charge for Digital Wallet services or UA™ themed Debit Cards. These two new services add to our wide range of digital services that include Mobile Banking, Mobile Deposit and Mobile Bill Pay. Our members can bank anywhere, anytime, and now have even more options for use with their mobile devices. All digital pay options include the same benefits as credit and debit cards, such as Visa Zero Liability and Visa Merchant offers. ■

Apple Pay is a trademark of Apple Inc., registered in the U.S. and other countries. Android Pay is a trademark of Google Inc. Samsung Pay is a trademark of Samsung Electronics Co.

GROWING TO SERVE OUR MEMBERS WITH A NEW BRANCH IN VAIL

We are making great progress on our planned branch at Houghton and Old Vail Road. The site has been purchased and an architect has been chosen; the branch design is near completion. Construction should begin sometime in the summer of 2017. Keep watching the Hughes newsletters for updates.

INVESTING IN STUDENTS' SUCCESS

Our scholarship program for high school seniors, who are members of the Credit Union, has continued to expand. At the 64th annual meeting in 2016, Hughes awarded scholarships to four young applicants who showed scholastic excellence, participated in community service, were interested in advancing their education and who submitted a project aimed at encouraging young members to bank with Hughes Federal Credit Union.

1st place – Cooper Barghols	\$2,500
2nd place – Steven Fried	\$2,000
3rd place – Jesse Ormand	\$1,000
4th place – Sumhith Aradhyula	\$500

Congratulations to these young members. This year, our 12th annual scholarship awards will have provided nearly \$60,000 in scholarships to deserving members. ■



Cooper Barghols
First place scholarship winner

Hughes Federal Credit Union will continue to grow and always stays committed to the high-quality products and exceptional service that has made a positive difference in the financial lives of our members, while helping our community.

2016 ANNUAL TREASURER'S REPORT

Submitted by Robert J. Swick, Treasurer

Hughes Federal Credit Union was chartered on November 21, 1951 and held its first annual meeting on January 14, 1952. Eleven people attended that first meeting and shortly thereafter, volunteers manually transacted business from offices provided by Hughes Aircraft Company. At that time the Credit Union offered a single savings account and a single unsecured loan of not more than three hundred dollars. Your Credit Union accepted its first deposit on February 5, 1952 and granted its first loan on February 8, 1952. During that first year Hughes Federal Credit Union granted 825 loans for a total amount of \$226,274.21. After its first year of operations your Credit Union reported a total of 854 members, total assets of \$139,063.21, total deposits of \$118,884.72 and \$135,057.11 in total outstanding loans to members.

Sixty-five years later, at our sixty-fifth annual meeting, Hughes Federal Credit Union reports 2016 was another year of very strong growth. Your Credit Union grew in assets, capital, deposits, loans and members for a sixth straight year. Hughes Federal Credit Union marked 2016 by surpassing one hundred thousand members and one billion dollars in total assets.

Hughes Federal Credit Union surpassed one hundred thousand members for the first time in July 2016 as your Credit Union ended 2016 with 106,467 members, an increase of 14,260 or 15.47% over the previous year. Credit Union assets surpassed one billion dollars for the first time at yearend 2016, as assets totaled \$1,004,168,933.18, an increase of \$167,903,857.00 or 20.08%. Member savings or deposits equaled \$896,128,341.33, an increase of \$151,861,213.00 or 20.40% over 2015's total.

During 2016 Hughes Federal Credit Union granted 25,380 loans for a total of \$503,634,977.78. At yearend, total outstanding loans to members equaled \$837,401,466.20 a \$122,736,363.00 or 17.17% increase over the previous year. Since granting its first loan on February 8, 1952 your Credit Union has granted a total of 375,345 loans totaling over \$3.8 billion dollars.

Hughes Federal Credit Union produced \$54,450,231.00 in gross income during 2016. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$11,238,485.70, an increase of 12.94% compared to net capital at yearend 2015. Our increased net capital helps ensure continued financial strength and stability for our Credit Union.

Hughes Federal Credit Union exists solely to service our members' financial needs. 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-five years solely to benefit its member owners. 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.

At that first annual meeting on January 14, 1952, the attendees recognized that the Credit Union's services were limited but emphasized that this new organization, unlike a bank, is owned and operated by its members for their mutual benefit. Today unlike then, Hughes Federal Credit Union has a wide array of products and services designed to benefit our members by saving you time, money and simplifying your financial life. If you have a financial need just ask, chances are your Credit Union can service it.

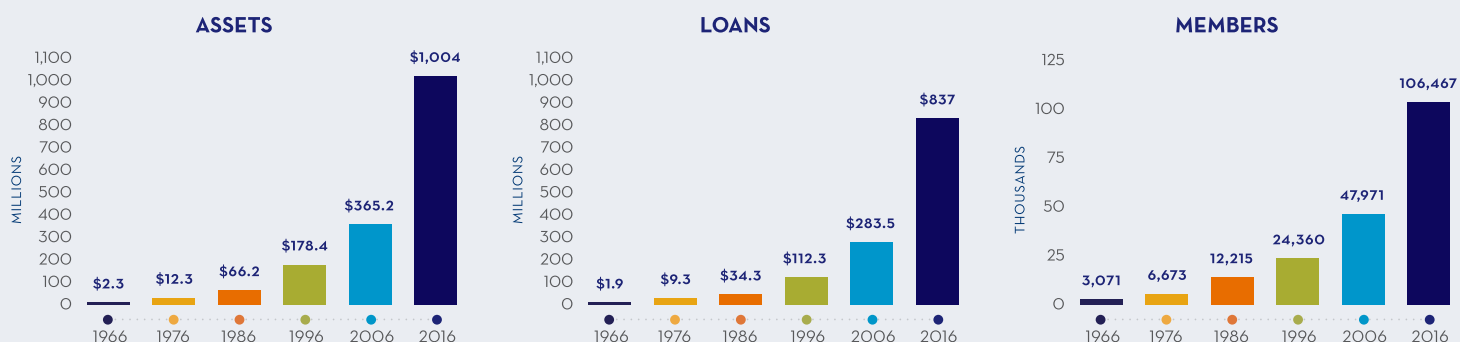
One product we believe can benefit every member is our checking account. Hughes Federal Credit Union's free checking remains the best available; dividends are earned on all balances as there are no minimum balance requirements or monthly service and/or debit card fees. Now our checking accounts are even 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.

Our checking combined with Direct Deposit, a Visa Debit/ATM Card, Online Banking, Mobile Banking, Bill Pay, Remote Deposit, Account Alerts, eStatement, and automatic transfers is designed to provide convenience and simplify our members' financial lives. Use all of them, as they are all free services at your Credit Union. Besides traditional checking accounts, Hughes Federal Credit Union also offers Health Savings Checking accounts.

In addition to checking accounts your Credit Union offers a full array of savings products. Award-winning dividend rates are available on Main Shares, Savings, Holiday Club and You Name It Savings Accounts. Even higher dividend rates are available on money market accounts, IRAs, IRA term share and term share accounts (CDs).

Continued on next page.

CREDIT UNION GROWTH



2016 FINANCIAL STATEMENT

December 31, 2016 Unaudited

BALANCE SHEET

Assets

Loans to Members	\$837,401,466
Less: Allowance for Loan Losses	11,334,165

Net Loans Outstanding \$826,067,301

Cash and Checking	4,359,547
Investments	869,614
Deposits in Corporate Credit Unions	141,001,336
Building	16,445,733
Furniture and Equipment	2,875,713
NCUSIF Deposit	7,917,122
All Other Assets	4,632,567

Total Assets \$1,004,168,933

Liabilities and Equity

Shares	\$679,831,008
Term Shares	216,297,333

Total Savings \$896,128,341

Dividends Payable	860,265
Accounts Payable	9,129,402
Regular Reserve	5,617,483
Reserve for Contingencies	
for Future Stabilization	90,002,969
Undivided Earnings	2,430,473

Total Liabilities and Equity \$1,004,168,933

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$40,436,626
Income from Investments	899,469

Other Operating Income 13,114,136

Total Operating \$54,450,231

Operating Expenses

Employee Compensation	\$9,913,855
Employee Benefits	2,270,344
Travel and Conference	234,316
Association Dues	80,149
Office Occupancy	1,449,635
Office Operations	5,959,929
Educational and Promotional	2,284,943
Loan Servicing	2,568,869
Professional and Outside Services	3,375,588
Provision for Loan Losses	9,142,612
Operating Fees (NCUA)	152,167
Other Operating Expenses	746,235

Total Operating \$38,178,642

Net Income Before Distribution \$16,271,589

Distribution of Net Income

Dividends	\$5,033,103
Undivided Earnings and Reserves	11,238,486

Total Distribution of Net Income \$16,271,589

Hughes Federal Credit Union members also have access to financial planning and brokerage investment services available through HFCU Services, LLC our wholly owned credit union service organization which was established in 1988. HFCU Services, LLC provides members with free financial planning and access to mutual funds, stocks, bonds and numerous insurance products. HFCU Services, LLC offers no proprietary products and our three Certified Financial Planners and licensed sales representatives are not paid commissions. Members are welcome to call 520-294-4140 for a free appointment with one of our three Certified Financial Planners.

Throughout 2017 members can again "Play It Smart at Hughes!" by earning entries in monthly drawings during our year-long member appreciation celebration. Hughes Federal Credit Union will conduct several drawings monthly for chances to win prizes. Get a free interest-earning or Premier checking with direct deposit and a new qualifying deposit account or loan or credit card and you'll automatically be entered in our monthly drawings for \$1,000 and the yearend grand prize drawing for \$6,500. Three additional \$650 monthly drawings for members with free interest-earning or Premier checking and direct deposit of \$500 or more per month, members who make a minimum of 15 signature-based Visa Debit Card transactions during a month and members who use Hughes Federal Credit Union's online bill pay. Additionally, all members with eStatement are automatically entered in monthly drawings to win a \$100 Visa Gift Card. "Play It Smart at Hughes!" and visit HughesFCU.org for official rules or an alternate entry.

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. All new members who join Hughes Federal Credit Union will be entered into monthly drawings to win \$650. Existing members that refer a new member will also be entered into a monthly drawing to win \$650. Hughes Federal Credit Union membership is open to anyone who lives, works, worships, or attends school in Tucson. Anyone interested can call 794-JOIN for more information on membership eligibility. Visit HughesFCU.org for official rules or an alternate entry.

Hughes Federal Credit Union continues to grow and throughout the past 65 years, much has changed. But what is most important is what has not changed. Just as your Credit Union was then, we remain today a member-owned and operated organization in existence solely for the mutual benefit of 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 2017. ■



Hughes
Federal Credit Union®

520-794-8341 | HughesFCU.org

**Visit one of our convenient branches.
Select branches open Saturdays!***

Cortaro Branch*
7820 N. Cortaro Rd.

Hermans Road Branch
951 E. Hermans Rd.

Pantano Branch*
280 N. Pantano

Speedway Branch
3131 E. Speedway

24-Hour Voice Response
520-205-5555

Thornsdale Branch*
7970 N. Thornsdale

Voyager Resort Branch
8701 S. Kolb

Wetmore Branch*
971 W. Wetmore

Loan By Phone
888-304-6855



Federally Insured
by NCUA

NMLS #411592

HUGHES FEDERAL CREDIT UNION
PO Box 11900
Tucson, AZ 85734-1900

PSTRD STD
U.S. POSTAGE
PAID
IMS 85726

65TH ANNUAL MEETING

WHEN: 3pm, Saturday, April 29, 2017
WHERE: Rincon High School Auditorium
422 N. Arcadia Ave., Tucson

MEETING AGENDA

- 1 Call to order
- 2 Approval of 64th Annual Meeting Minutes
- 3 Committee reports
- 4 Unfinished business
- 5 New business
- 6 Scholarship winners
- 7 Entertainment
- 8 Drawing for cash prizes**
- 9 Adjournment

- 1ST PRIZE \$650
- 2ND PRIZE \$650
- 3RD PRIZE \$650
- 4TH PRIZE \$650
- 5TH PRIZE \$650

\$3,250
IN CASH PRIZES

Must be present to win. One entry per primary member.
(Five prizes of \$650 each to celebrate our 65th anniversary)

**Prize drawing closes at 3:30pm

Entertainment by Kids Unlimited

► DETAILS INSIDE

HANDICAPPED PARKING

Handicapped parking is available in the east 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.