

 **Hughes** Federal Credit Union



-  **71 Years**
Serving Southern AZ
-  **178,000**
Members
-  **1.9 B**
in Assets

2023 Board of Directors' Report

Submitted by Juan F. Gonzalez, Board Chairman

The Hughes Federal Credit Union Board of Directors is honored to present the 2023 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, and a stock market that moved mostly sideways. Hughes made progress toward our goals and objectives while remaining financially strong.

Continued Growth and Financial Strength

Our strategies have been to strengthen the core of the Credit Union. Keep our financial ratios healthy, maintain a strong capital position to protect membership assets, manage our growth, manage our risks, 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. We grew while we provided "best of class" services to our members and enhanced our community outreach programs with the support our members value.

During 2023, 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 up to \$250,000. Rest assured we have a strong capital position and liquidity to protect your assets. We continue to have strong capital and income growth, which allows us to provide you with exceptional rates in savings accounts, Certificates of Deposits, and money market accounts.

Awards and Community Recognition

In 2023, Hughes was awarded the Dora Maxwell Social Responsibility Community Service Award. Hughes won 1st place for the Dora Maxwell Award in the State of Arizona and won 2nd place nationally. This award recognizes the efforts of Hughes on the "70 Acts of Kindness" campaign. The award was presented by the Credit Union National Association (CUNA) for our commitment and continued efforts to make a difference in the lives of our members and community. Also, the Society for Human Resource Management of Greater Tucson (SHRM-GT) recognized Hughes with the Community Impact Award on November 7th at the Hilton El Conquistador, Tucson.

Community Outreach

- 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/military organizations: Arizona Heroes Memorial, Rocking for Heroes, Esperanza in Escalante, 911 Tower Challenge, Erik Hite Foundation, All Post American Legion, Freedom Warriors, and La Frontera Behavioral Health.
- Hughes supported the Tucson Wildlife Center, Banner Health, Arizona® Athletics, Girl Scouts of Southern Arizona, Angel Charity for Children, Earn to Learn program, and 16 local schools' financial training.

- Hughes awarded \$14,000 in scholarships in 2023 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 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 they align with our strategic objectives and regulatory requirements. Our board holds strategic planning sessions with the Executive Vice Presidents, and staff to provide a better understanding of the need and scope of the Credit Union's strategic direction and goals. We address every communication our members send us with either 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

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.

In 2023, Andrew Britton was selected by the Hughes Board of Directors as our new President/CEO. Andrew Britton succeeded the retired President/CEO, Robert Swick, after 37 years of service. Andrew Britton brings solid financial industry experience to his new position. He has demonstrated a strong operational and strategic capability. Andrew is a welcome asset to Hughes Federal Credit Union; please give him your uncompromising support.

The Hughes Federal Credit Union Board of Directors thanks our management and staff for the commitment and support of our Credit Union operations. Special thanks to our members for their valued loyalty and support. ■



2023 Annual Treasurer's Report

Submitted by Andrew Britton, Treasurer and President/CEO

Hughes Federal Credit Union was chartered on November 21, 1951, and its first annual meeting was held on January 14, 1952. Seventy-two years later, Hughes reports that it remains a safe and sound financial institution for meeting your saving, investing, and lending needs.

Hughes was faced with the same challenges as most financial institutions in 2023. Soaring interest rates, tight liquidity, and implementation of the new accounting standard; Current Expected Credit Losses or CECL.

Even through the various challenges of 2023, your Credit Union ended 2023 with 177,998 members and grew assets by \$94,899,251 for total assets of \$1,989,143,248.

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 seventy-one years solely to benefit its member-owners.

During 2023, Hughes generated \$132,948,948 in gross income. After paying operating expenses and distributing member dividends, Hughes increased its net capital by \$19,505,966.

During 2023, Hughes granted 18,362 loans to members for a total of \$456,591,472. Total outstanding loans at year-end were \$1,708,881,761. Since granting its first loan on February 8, 1952, your Credit Union has granted 561,503 loans totaling over 8 billion dollars.

Since 2019, your Credit Union has grown over 42% in assets, 37% in member savings, 69% in member loans, and 74% in capital. This high level of growth ensures Hughes 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 loan, higher earnings on deposits, financial advice and more. If you have a financial need, just ask; chances are your Credit Union will be able to provide it.

As the economic winds continue to shift at a seemingly greater pace, Hughes 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 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.

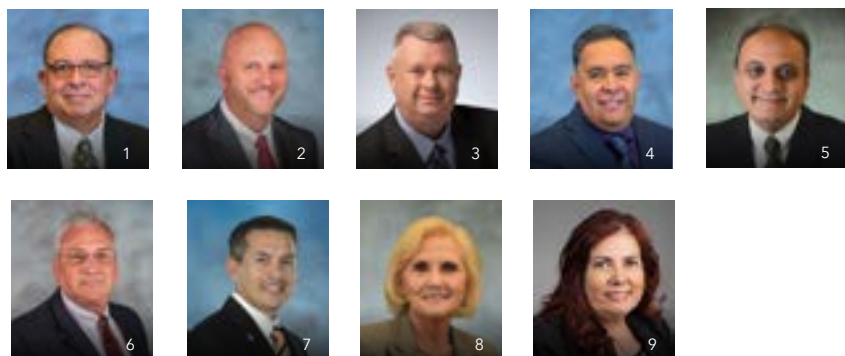
The success of our Credit Union is dependent on the participation of our members. If you are not participating in our services, we encourage you to do so. If you are, we thank you and ask you to refer family, friends, co-workers, and neighbors. Hughes membership is open to anyone who lives, works, worships, 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 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 seventy-one years, much has changed. What has stayed the same is that your Credit Union remains a member-owned and operated financial cooperative in existence solely for the benefit of you, our members. Thank you to our volunteer Board of Directors and Supervisory Committee members for their dedication, direction, and support. Thank you to the Credit Union staff for their hard work and dedication ensuring our members' financial needs are met daily. As always, and most importantly, we want to thank you, our members, for your continued patronage and support of Hughes Federal Credit Union. ■

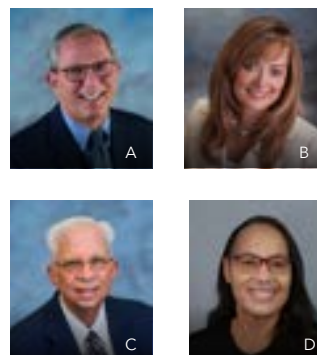


2023 Board of Directors



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

Supervisory Committee



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

2023 Financial Statement

December 31, 2023, Unaudited

BALANCE SHEET

Assets	
Loans to Members	\$1,708,881,761
Less: Allowance for Loan Losses	\$(30,578,198)
Net Loans Outstanding	\$1,678,303,563
Cash and Checking	\$5,303,844
Investments	\$1,908,199
Deposits in Corporate Credit Unions	\$227,717,802
Land and Building	\$35,062,964
Furniture and Equipment	\$6,085,220
NCUSIF Deposit	\$15,752,381
All Other Assets	\$19,009,275
Total Assets	\$1,989,143,248
Liabilities and Equity	
Shares	\$1,192,324,412
Term Shares	\$422,403,130
Nonmember Shares	\$112,846,000
Total Savings	\$1,727,573,542
Dividends Payable	\$7,101,453
Accounts Payable	\$11,115,640
Notes Payable	\$20,000,000
Reserve for Contingencies for Future Stabilization	\$216,758,735
Undivided Earnings	\$6,593,878
Total Liabilities and Equity	\$1,989,143,248

STATEMENT OF INCOME

Operating Income	
Interest on Loans to Members	\$105,304,087
Income from Investments	\$5,638,961
Other Operating Income	\$22,006,829
Total Operating Income	\$132,948,948
Operating Expenses	
Employee Compensation	\$17,544,644
Employee Benefits	\$4,815,744
Travel and Conference Expenses	\$367,918
Association Dues	\$148,161
Office Occupancy Expense	\$2,245,572
Office Operations Expense	\$12,015,757
Educational and Promotional Expense	\$3,063,312
Loan Servicing Expense	\$8,078,890
Professional and Outside Services	\$7,623,132
Provision for Loan Losses	\$19,102,595
Operating Fees (NCUA)	\$327,684
Interest on Borrowings	\$318,220
Other Operating Expenses	\$1,528,501
Total Operating Expenses	\$77,180,129
Net Income Before Distribution	\$55,768,819
Distribution of Net Income	
Dividends	\$36,262,853
Undivided Earnings and Reserves	\$19,505,966
Total Distribution of Net Income	\$55,768,819

Supervisory Committee Report

Submitted by Jim Hall, Supervisory Committee Chairman

Your Hughes Federal Credit Union Supervisory Committee is assigned many vital responsibilities, which we take seriously to protect each Credit Union member's interests. These include but are 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.

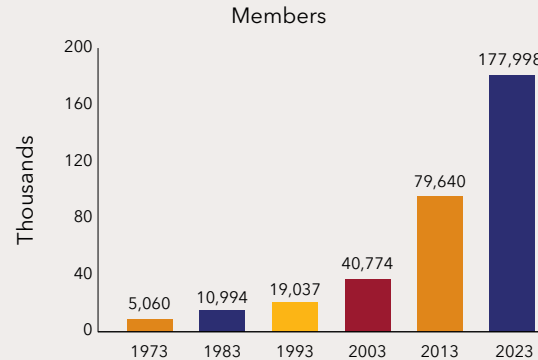
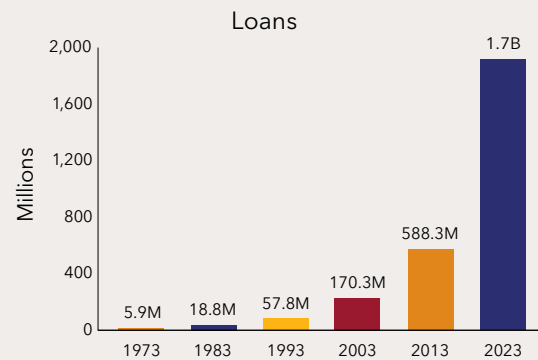
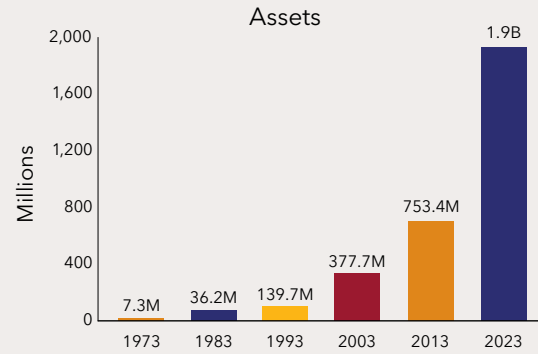
These are a few required activities your Supervisory Committee performs to ensure Hughes remains a financially sound institution with continuing growth for its current and future members.

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. ■

Credit Union Growth



Nominating Committee Report

Submitted by Magda Campbell, Carol Romero and Elsa Jacklitch

The Nominating Committee submitted the following names of candidates to serve on the Hughes Federal Credit Union Board of Directors. There are three openings on our board. The nominees with the three highest number of votes will serve a three-year term. Eligible members of voting age, 16 years and older may vote. One vote per primary member. No nominations are accepted from the floor. ■



John Candito

John Nicholas Candito is a seasoned Supply Chain, Program Management and Leadership professional with a comprehensive career spanning various sectors, including Government Procurement, Healthcare, and Defense Manufacturing. With advanced training

and certification as a Lean/6-Sigma Specialist, Material Program Manager, and APICs Certified Supply Chain Professional, he has managed fiscal responsibilities of up to \$260M annually and has expertise in World Class Supply Chain practices, Lean Manufacturing, Customer Service, and ITAR and FAR/DFAR regulations.

John holds a Master of Science in Supply Chain Management from the University of San Diego, an MBA from the University of Phoenix, and a Bachelor of Science in Business Administration with a major in Finance from the University of Arizona. His professional experience includes his current role as Administrative Director of Supply Chain Management and Operations at Yuma Regional Medical Center, where he oversees a team of 65 professionals, manages a multi-million-dollar annual budget and collaborates with executive leaders to steer the organization. His previous positions at Banner Health, Sargent Aerospace and Defense, and Raytheon Missile Systems demonstrate a strong track record of success across multiple industries. He is also a proactive community member through professional speaking engagements, coaching, and volunteer management roles.



Juan Gonzalez*

Mr. Gonzalez has been a member of Hughes Federal Credit Union for 37 years. Juan has a B.S. in Mechanical Engineering and a Master in Business Administration. He served in the US Armed Forces as a USAF Fighter Pilot.

Juan retired as a Senior Manager with more than 30 years of management experience in engineering design and development working for Hughes, Raytheon, and Boeing. 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 and has served for 19 years; 7 of these as Chairman of the Hughes Federal Credit Union Board of Directors. 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.



Richard McKnight

Richard W. McKnight is a Senior Principal Energetics Engineer at Raytheon with over two decades of experience. He currently serves as the Technology Lead for Energetics & Propulsion, guiding sourcing decisions, evaluating the supply

base and aligning suppliers with product line requirements. His expertise was instrumental in identifying and developing a solution to a systemic issue with rocket motor nozzles, leading to a successful full-scale static test firing.

Holding a B.S. in Aerospace Engineering from the University of Maryland, Richard has cultivated a comprehensive career marked by significant roles, including the Responsible Engineering Authority for SM-3 Solid Divert Attitude Control Systems and leading a multifaceted team as the TOW Energetics Lead. His leadership extends beyond engineering, as the owner and Vice-President of Canyon's Crown Restaurant & Pub in Tucson, where he manages financial resources, strategic planning, and contributes to the community through charity outreach. His certifications include current multiple patents, Six Sigma Specialist, and Cost Account Management (EVMS).



Mary (Cass) Middleton*

Ms. Middleton has been a member of Hughes Federal Credit Union for more than 37 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.

Nominating Committee Report

Submitted by Magda Campbell, Carol Romero, and Elsa Jacklitch

Prior experience includes 15 years at a major bank rising to the level of Assistant Vice President, 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 on the board of directors.



David Ortega*

David has been a member of Hughes Federal Credit Union since 1991. He began his service at Hughes by being appointed to the Hughes Supervisory Committee in 2002. He served in various roles within the Supervisory Committee and ultimately served as the Supervisory

Committee Chair up until October 2014 when he was appointed to the Board of Directors. He became the Board Secretary upon the passing of Roberta Reeves. As the Board Secretary he has been vigilant to ensure that the board operates in accordance with its bylaws and for the benefit of its Credit Union members.

David also currently serves on the Executive Committee, Annual Meeting Committee, Budget Committee, and Facilities Planning Committee. Outside of Hughes he has served 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.

David brings 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. He has also worked for the City of Tucson as a Finance Manager within the City of Tucson Budget Department. Mr. Ortega has a B.S. in Accounting and M.B.A. from the University of Phoenix

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 tour 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 all its members. He welcomes the opportunity to continue to serve on the board of directors.



Charles Sasse

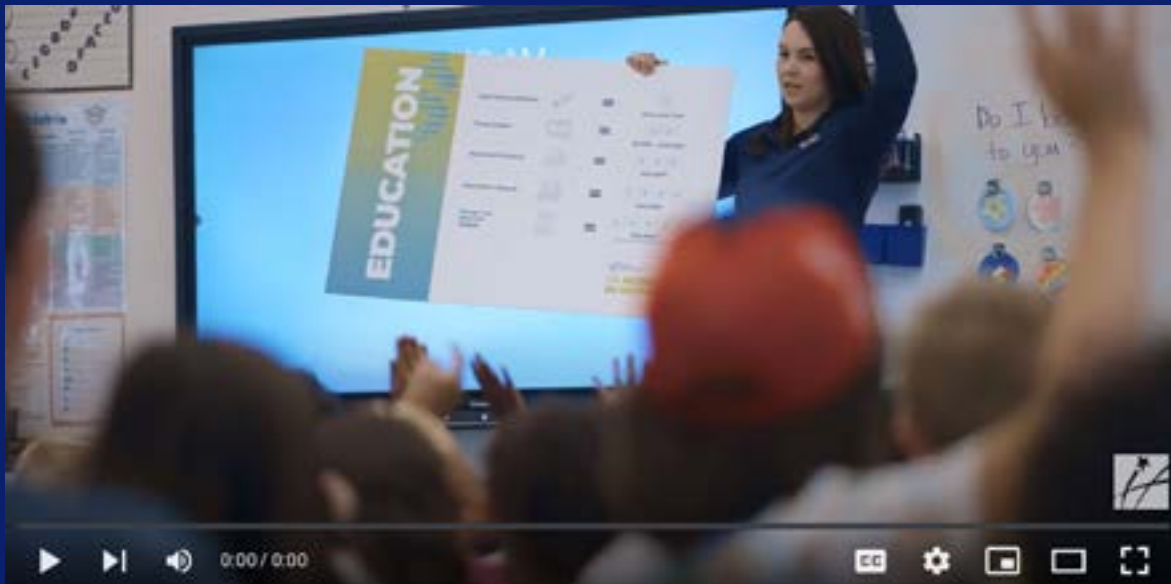
Dr. Charles E. Sasse's educational background includes a BS and MS in Animal Sciences and a PhD in Animal Nutrition from the University of Illinois. His career encompasses roles in academia as an Assistant Professor at Texas Tech University,

corporate positions including Technical Services Scientist and Executive Director at Farmland Industries, and entrepreneurial experience as the owner and manager of Lloyd's Dog & Horse. He has also held prominent positions within the American Society of Animal Sciences.

Since retiring to Tucson in 2007, Dr. Sasse has been an active member of Hughes Federal Credit Union, managing a club account for over 11 years. His financial acumen is built upon an academic foundation and enriched by extensive corporate budget and performance management. Dr. Sasse's commitment to community service is evidenced by his volunteer work with the Salvation Army and the Community Food Bank of Southern Arizona, alongside his service in the US Army from 1968-1970.

***INCUMBENT SERVING ON BOARD**

Hughes in the Community: A Champion in Community Engagement



Hughes Federal Credit Union has long been a cornerstone of community involvement, consistently demonstrating a profound commitment to the well-being and enrichment of the communities it serves. In 2023, Hughes extended its support through active participation in a variety of charitable and community-focused events, underscoring its dedication to making a positive impact. Here are some highlights!

Annual Scholarship Program

Now in its' 18th year, the program, renamed in memory of Roberta Reeves, a long-serving member of Hughes Federal Credit Union's Board of Directors, continues to honor her legacy in the Tucson community. Hughes selected seven high school seniors who received a \$2,000 scholarship in support of their continuing education. Since 2005, Hughes has granted over \$100,000 in scholarships to deserving high school graduates entering college or trade school.

**ROBERTA
REEVES**
MEMORIAL SCHOLARSHIP



Hughes in the Community

American Heart Association Heart Walk

Hughes Federal Credit Union proudly joined the American Heart Association's Heart Walk, a significant event aimed at raising awareness and funds for heart disease and stroke prevention. Employees, and their families laced up their sneakers to walk in solidarity, promoting heart health and honoring those affected by cardiovascular diseases. The turnout from Hughes underscored their commitment to fostering healthier communities.



Arizona Heroes Memorial Groundbreaking Ceremony

In a heartfelt tribute to those who have served and sacrificed, Hughes Federal Credit Union participated in the Heroes Memorial Groundbreaking Ceremony. The Living Memorial will create a space to honor and celebrate our heroes while educating future generations about the meaning of service and sacrifice to our country. The occasion brought together over 300 people from dignitaries, representatives of the military, first responders, veteran and healthcare communities and members of the community to support this wonderful memorial. Hughes' involvement in this event reflects their deep appreciation and respect for the sacrifices made by these courageous individuals.

Literacy Connects

Recognizing the transformative power of education, Hughes Federal Credit Union supported Literacy Connects, an organization dedicated to improving literacy rates and fostering a love for reading within the community. Their efforts helped equip young learners with the tools they need to succeed academically and in life.



Hughes in the Community



Tucson Wildlife Center

Hughes Federal Credit Union's commitment to environmental stewardship was evident through their affinity debit card program. The debit card featured the "Little Prowler" and was designed in partnership with local Tucson artist Diana Madaras. This program supports the center's efforts in the rescue, rehabilitation, and release of Southern Arizona's native wildlife.



Angel Charity for Children

Hughes Federal Credit Union is a Triple Halo sponsor of Angel Charity for Children, a local non-profit devoted to improving the lives of children in Pima County. By contributing to Angel Charity for Children, Hughes is helping Angel Charity for Children support much-needed projects in our community like Steele Children's Research Center, Youth on Their Own, National Alliance on Mental Illness, Boys and Girls Clubs of Tucson, Interfaith Community Services, Intermountain Center, and Reid Park Zoo.

A Lasting Commitment

Hughes Federal Credit Union actively participates in a wide variety of community events throughout the year, contributing to important causes and fostering strong community partnerships. Our unwavering commitment to service reflects our core values and mission to improve the lives of those we serve. By supporting and participating in these events, Hughes demonstrates its dedication to making a positive impact in our community.



[HughesFCU.org](https://www.HughesFCU.org) | 520-794-8341