

ATHLETIC DEPARTMENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 29, 2020

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 15, 2020

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**DR. JOHN CRAIN, PRESIDENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana**

We have performed the procedures enumerated below, which were agreed to by you, as President of the Southeastern Louisiana University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2019. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited) and the compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The University set materiality of \$5,000, and the agreed-upon procedures described below were not applied to transactions that fell under this amount. In addition, procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses, unless requested by the University.

The procedures that we performed and our findings are as follows:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussion with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.
2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine

adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:

- (a) We randomly selected one cash receipt batch sheet of ticket sales and followed it through the University's cash control system to determine adherence to established policies and procedures.
- (b) We selected the 10 largest athletic department cash disbursement transactions and followed them through the University's accounting system to determine adherence to established policies and procedures.
- (c) We inquired of and observed athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

We found no exceptions as a result of these procedures.

3. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program and performed procedures to determine the University's adherence to these procedures.

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2019.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

We found no exceptions as a result of these procedures.

3. We compared and agreed a sample of 10 operating revenue receipts and a sample of 10 expense disbursements obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account over 10% of total revenues or expenses for June 30, 2019, to June 30, 2018, amounts and budget estimates, to identify variations greater than 10%.

No variations met the 10% variance threshold in the NCAA guidelines and no explanations are required.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the University, we compared the value of the tickets sold, complimentary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported by the University in the general ledger and Statement and to the related attendance figures. We agreed the information on the schedule to the supporting game reconciliations for a random sample of one football, one men's basketball, one women's basketball, and one baseball game. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We obtained and documented an understanding of the University's methodology for allocating student fees to the intercollegiate athletics program. We compared and agreed student fees reported in the Statement to student enrollment and obtained explanations from the University regarding any variances in excess of 5%. We also recalculated the totals and the allocation of students fees included in general revenue by the Athletic Department for each sport, and tied the calculation to student fee totals.

We found no exceptions as a result of these procedures and identified no variance that exceeded 5%.

3. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of these procedures.

4. We selected a sample of one football, one men's basketball, and one women's basketball contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period. We compared and agreed each selection to the University's general ledger and recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) that constitutes 10% or more in the aggregate for the

reporting year of all contributions received for intercollegiate athletics during the reporting period. We also recalculated the totals.

The Lions Athletic Association, Inc., and the Southeastern Louisiana University Foundation are the outside organizations that contributed monies, goods, or services for or on behalf of the athletic department that exceeds 10% of total contributions.

6. We compared the NCAA distribution amounts recorded in the revenue and expense reporting during the reporting period to the general ledger detail for NCAA distributions and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of these procedures.

7. We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed related revenues to the general ledger and recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of (38) 10% of student athletes from the listing of University student aid recipients. The data was captured by the University through the creation of a squad list for each sponsored sport.
 - (a) We obtained individual student account detail for each selection, and compared total aid in the University's student system to the student's detail in NCAA Compliance Assistant (CA), which ties directly to the NCAA Membership Financial Reporting System.
 - (b) We performed a check of each student selected to ensure his/her information was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the criteria found in 2019 NCAA Agreed-Upon Procedures.
 - (c) We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period. We selected a sample of five coaches' contracts of football, men's and women's

basketball, and baseball from the listing and a sample of three staff/administrative personnel and performed the following:

- (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
- (b) We obtained and inspected payroll summary registers for the reporting year for each selection.
- (c) We compared and agreed payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.
- (d) We compared and agreed the totals recorded to any employment contracts executed for the sample selected.
- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We obtained and documented an understanding of the University's team travel policies, and compared and agreed the University's team travel policies to existing University and NCAA-related policies. In addition, we obtained the general ledger detail and compared the detail to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained the general ledger detail for fundraising, marketing, and promotion and compared the detail to the total expenses reported. We were to select a sample of five transactions to validate the existence of the transactions and the accuracy of their recording and recalculated the totals.

There were two fundraising, marketing, and promotion transactions in excess of materiality. We found no exceptions as a result of these procedures.

5. We obtained the general ledger detail for direct overhead and administrative expenses and compared the detail to the total expenses reported. We selected a sample of five transactions to validate the existence of the transactions and the accuracy of their recording and recalculated the totals.

We found no exceptions as a result of these procedures.

**MINIMUM AGREED-UPON PROCEDURES
FOR OTHER REPORTING ITEMS**

1. We inquired of management regarding excess transfers to the University and conference realignment expenses and were informed by management that the University did not have any excess transfers and conference realignment expenses for the reporting period.
2. We obtained the repayment schedule for all outstanding intercollegiate athletics debt during the reporting period. The Lions Athletic Association, Inc., has a note payable of \$557,291 related to the baseball improvements (scoreboard and new turf) and new turf for the softball field. We recalculated the future maturities of the notes payable as presented in the Lions Athletic Association, Inc., audit report.

We found no exceptions as a result of these procedures.

3. We agreed the total outstanding University debt to supporting documentation and the University's audited financial statements and the University's general ledger.

We found no exceptions as a result of these procedures.

4. We obtained the schedule and general ledger detail of all athletics dedicated endowments maintained by athletics, the University, and affiliated organizations. We agreed the fair market value in the schedule to the supporting documentation and the general ledger.

We found no exceptions as a result of these procedures.

5. We agreed the total fair market value of University endowments to supporting documentation, the University's general ledger, and the audited financial statements.

We found no exceptions as a result of these procedures.

6. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained the general ledger detail and compared the detail to the total expenses reported. We selected a sample of five transactions to validate the existence of the transactions and the accuracy of their recording and recalculated the totals.

We found no exceptions as a result of these procedures.

**MINIMUM AGREED-UPON PROCEDURES
FOR NOTES AND DISCLOSURES**

1. We obtained from University management a list of contributions of monies, goods, or services received directly by the intercollegiate athletics program from

any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensured the source(s) of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

We noted the Lions Athletic Association, Inc., and the Southeastern Louisiana University Foundation are the only outside organizations that provided individual contributions of monies, goods, or services to the athletic department that exceeded 10% of the total contributions (see note 1 to the Statement).

2. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We inquired of University management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We were informed by management that the University did not maintain any debt related to intercollegiate athletics during the reporting period. An affiliated organization, the Lions Athletic Association, Inc., has a note payable of \$557,291 related to the baseball improvements (scoreboard and new turf) and new turf for the softball field. We recalculated the future maturities of the notes payable as presented in the Lions Athletic Association, Inc., audit report (see note 3 to the Statement).

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that the Lions Athletic Association, Inc., the Southeastern Louisiana University Foundation, and the Southeastern Louisiana University Alumni Association, Inc., are the only outside organizations created for or on behalf of the athletic department.

We found no exceptions as a result of these procedures.

2. We obtained from management of the University statements for all affiliated and outside organizations and agreed the amounts reported in the statements to the University's general ledger or, alternatively, we confirmed revenues and expenses directly with a responsible official of the organization.

We found no exceptions as a result of these procedures.

3. We obtained from University management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University to be included with the agreed-upon procedures report as follows:

	Lion Athletics Association, Inc.	(A Portion of) Southeastern Louisiana University Foundation	(A Portion of) Southeastern Alumni Association and Related	Total
Revenues				
Contributions	\$620,838	\$57,652		\$678,490
In-kind	135,452			135,452
Media rights	87			87
Program, novelty, parking and concession sales	115,766			115,766
Royalties, licensing, advertisements, and sponsorships	1,296,929			1,296,929
Sports camp	3,570			3,570
Athletic restricted endowments and investments income	538	220,398		220,936
Other	4,288			4,288
Total revenues	<u>2,177,468</u>	<u>278,050</u>	NONE	<u>2,455,518</u>
Expenses				
Coaching other compensation and benefits paid by the University and related entities	278,408			278,408
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	170,192			170,192
Recruiting	5,390			5,390
Team travel	2,498			2,498
Equipment, uniforms, and supplies	2,428			2,428
Game expenses	42,367			42,367
Fundraising, marketing, and promotion	701,812		\$2,123	703,935
Spirit groups	7,515			7,515
Athletic facilities debt service, leases, and rental fees	115,769			115,769
Direct overhead and administrative expenses	68,392			68,392
Memberships and dues	2,675			2,675
Athlete meals (non-travel)	2,013		137	2,150
Other	105,327	81,278		186,605
Total expenses	<u>1,504,786</u>	<u>81,278</u>	<u>2,260</u>	<u>1,588,324</u>
EXCESS (Deficiency) OF REVENUES				
OVER (Under) EXPENSES	<u>\$672,682</u>	<u>\$196,772</u>	<u>(\$2,260)</u>	<u>\$867,194</u>

We obtained written representations from management as to the fair presentation of the summary schedule.

We found no exceptions as a result of these procedures.

4. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The Lions Athletic Association Inc., statements were audited by an independent certified public accountant for the year ended June 30, 2019. The audit report

dated December 19, 2019, included no significant deficiencies on the outside organization's internal control.

The Southeastern Louisiana University Foundation statements were audited by an independent certified public accountant for the year ended June 30, 2019. The audit report dated November 6, 2019, included no significant deficiencies on the outside organization's internal control.

The Southeastern Louisiana University Alumni Association, Inc., statements were audited by an independent certified public accountant for the year ended June 30, 2019. The audit report dated September 19, 2019, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division I financial reporting for NCAA distribution purposes, the following procedures were performed:

- a. For Grants-in-Aid, we compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report from CA from the institution.

We found no exceptions as a result of these procedures.

- b. We compared current-year Grants-in-Aid revenue distribution equivalencies to prior-year reported equivalences per the Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/-4.0%.

There were variances for men's baseball (-12.9%), football (-16.1%), and track and field (-5.4%), which had a variance greater than +/- 4.0%. The University stated that while full grant amounts for individual student athletes increased for both in-state and out-of-state students, there was a decrease in the scholarship dollars awarded in fiscal year 2019.

There were variances for women's basketball (7.5%), soccer (-9.4%), softball (-11.2%), tennis (-6.0%), and track and field (-23.1%), which had a variance greater than +/- 4.0%. For women's soccer, softball, tennis, and track and field, the University stated that while full grant amounts for individual student athletes increased for both in-state and out-of-state students, there was a decrease in the scholarship dollars awarded in fiscal year 2019. For women's basketball, the University stated that there was an increase in the full grant amount for each individual student athlete for both in-state and out-of-state students. In addition, there was an increase in the number of scholarships awarded in fiscal year 2019, as well as an increase in the revenue distribution contributing to the overall increase.

- c. For Sports Sponsorships, we obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year and validated that the countable NCAA sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3, related to the number of contests and the number of participants in each contest. Once countable sports were confirmed, we ensured the University had properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no exceptions as a result of these procedures.

- d. We compared current-year number of Sports Sponsored to prior-year reported total per the Membership Financial Report submission. We inquired and documented an explanation for any variance.

We found no exceptions as a result of these procedures.

- e. For Pell Grants, we agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on Full Grant-in-Aid, Pell Grant recipients on Partial Grants-in-Aid and Pell Grant recipients with no Grants-in-Aid) and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions as a result of these procedures.

- f. We compared current-year Pell Grants total to prior-year reported total per the Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/- 20 grants.

Total Pell Grants decreased by 24 in the current year. The University stated that the variance was from a reduction in the number of student athletes that were eligible for Pell Grants.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.15 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the President of the University and is not intended to be, and should not be, used by anyone other than this specified party. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMF:ETM:RR:EFS:ch

SLUNCAA2019

UNAUDITED

Statement A

**ATHLETIC DEPARTMENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2019**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	BASEBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES							
Operating revenues:							
Ticket sales	\$318,772	\$29,858	\$17,422	\$104,431	\$26,338		\$496,821
Student fees	490,186	110,899	172,962	160,679	730,173	\$856,443	2,521,342
Direct institutional support	1,611,084	393,212	536,889	478,526	2,383,351	471,518	5,874,580
Less - transfer to institution						(144,413)	(144,413)
Indirect institutional support		44,983	44,983		44,983		134,949
Guarantees	750,000	395,000	55,500	17,000	6,620		1,224,120
Contributions	287,276	53,534	41,484	46,726	112,355	196,984	738,359
In-kind	34,374	2,428	14,258	20,444	38,161	25,787	135,452
Media rights						87	87
NCAA distributions		5,220			1,707	571,375	578,302
Conference distributions	45,028	6,967	2,129	2,092	1,885	210,000	268,101
Program, novelty, parking, and concession sales	2,625	399	456	1,237	19,987	97,665	122,369
Royalties, licensing, advertisement, and sponsorships	57,850	5,000	5,000	3,500	17,500	1,475,634	1,564,484
Sports camp revenues						3,570	3,570
Athletics restricted endowment and investments income	112,658	15,437	21,890	23,939	42,990	4,022	220,936
Other operating revenue	436	109,304	3	3,550	4,301	72,768	190,362
Total operating revenues	3,710,289	1,172,241	912,976	862,124	3,430,351	3,841,440	13,929,421
EXPENSES							
Operating expenses:							
Athletic student aid	1,601,464	379,976	342,407	312,438	1,718,879	25,296	4,380,460
Guarantees		20,135	6,500	7,000	3,613		37,248
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,065,231	358,343	300,170	273,979	734,687	5,742	2,738,152
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	54,411	8,751	4,072	4,792	16,312	2,256,107	2,344,445
Severance payments	17,526	27,121			23,322	7,166	75,135
Recruiting	59,157	31,061	30,847	20,555	29,534		171,154
Team travel	124,868	135,408	74,013	110,893	329,819	411	775,412
Sports equipment, uniforms, and supplies	180,336	33,130	28,228	49,363	149,810	26,271	467,138
Game expenses	79,597	40,572	29,762	32,721	74,316		256,968
Fundraising, marketing, and promotion	116,454	26,748	16,095	26,842	25,735	552,127	764,001
Spirit groups						43,354	43,354
Athletic facilities debt service, leases, and rental fees	37,482		9,471	4,774	18,686	127,942	198,355
Direct overhead and administrative expenses	79,362	3,131	2,491	2,809	168,464	199,490	455,747
Indirect institutional support		44,982	44,983		44,983		134,948
Medical expenses and insurance	86,796	6,088	3,356	2,092	29,125	246,875	374,332
Memberships and dues	12,000	3,113	854	999	5,651	35,588	58,205
Student-athlete meals (non-travel)	61,139	19,796	9,022	125	15,357	3,517	108,956
Other operating expenses	134,466	33,886	10,705	12,742	42,058	259,713	493,570
Total operating expenses	3,710,289	1,172,241	912,976	862,124	3,430,351	3,789,599	13,877,580
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	\$0	\$0	\$0	\$0	\$0	\$51,841	\$51,841

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

Individual contributions received directly by the Athletic Department from the Lions Athletic Association, Inc., and the Southeastern Louisiana University Foundation, totaling \$678,490, exceeded 10% of the total contributions included in Statement A.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the University does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the University follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The University has no debt associated with its Athletic Department's capital assets. An affiliated organization, the Lions Athletic Association, Inc., has a note payable of \$557,291 related to the baseball improvements (scoreboard and new turf) and new turf for the softball field.

3. DEBT NOTE

The University did not maintain any debt related to intercollegiate athletics during the reporting period. An affiliated organization, the Lions Athletic Association, Inc., has a note payable of \$557,291 related to the baseball improvements (scoreboard and new turf) and new turf for the softball field. The schedule presented in the Lions Athletic Association, Inc., audit report is as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$97,805
2021	102,601
2022	277,446
2023	22,504
2024	56,935
	<u>\$557,291</u>