

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2014

Commission File Number: 000-29274

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

State of Minnesota

(State or other jurisdiction of
incorporation or organization)

41-1789725

(I.R.S. Employer
Identification No.)

30 East 7th Street, Suite 1300
St. Paul, Minnesota 55101

(Address of principal executive offices)

(651) 227-7333

(Registrant's telephone number)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
 Non-accelerated filer

Accelerated filer
 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP

INDEX

	<u>Page</u>
Part I – Financial Information	
Item 1. Financial Statements:	
Balance Sheet as of March 31, 2014 and December 31, 2013	3
Statements for the Three Months ended March 31, 2014 and 2013:	
Income	4
Cash Flows	5
Changes in Partners' Capital (Deficit)	6
Notes to Financial Statements	7 - 11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11 - 16
Item 3. Quantitative and Qualitative Disclosures About Market Risk	16
Item 4. Controls and Procedures	16
Part II – Other Information	
Item 1. Legal Proceedings	16
Item 1A. Risk Factors	16
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3. Defaults Upon Senior Securities	17
Item 4. Mine Safety Disclosures	17
Item 5. Other Information	17
Item 6. Exhibits	17
Signatures	18

**AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
BALANCE SHEET**

ASSETS

	March 31, 2014	December 31, 2013
	<u>(unaudited)</u>	<u></u>
Current Assets:		
Cash	\$ 5,463,240	\$ 5,553,960
Real Estate Held for Investment:		
Land	2,866,183	2,866,183
Buildings and Equipment	8,809,264	8,809,264
Accumulated Depreciation	<u>(2,621,779)</u>	<u>(2,533,686)</u>
Real Estate Held for Investment, Net	9,053,668	9,141,761
Real Estate Held for Sale	0	1,508,930
Equity Method Investment Held for Sale	<u>1,553,963</u>	<u>0</u>
Total Real Estate	<u>10,607,631</u>	<u>10,650,691</u>
Total Assets	<u>\$ 16,070,871</u>	<u>\$ 16,204,651</u>

LIABILITIES AND PARTNERS' CAPITAL

Current Liabilities:		
Payable to AEI Fund Management, Inc.	\$ 6,131	\$ 11,049
Distributions Payable	291,922	291,922
Unearned Rent	<u>33,331</u>	<u>12,121</u>
Total Current Liabilities	<u>331,384</u>	<u>315,092</u>
Partners' Capital:		
General Partners	9,705	11,205
Limited Partners – 24,000 Units authorized; 22,653 Units issued and outstanding	<u>15,729,782</u>	<u>15,878,354</u>
Total Partners' Capital	<u>15,739,487</u>	<u>15,889,559</u>
Total Liabilities and Partners' Capital	<u>\$ 16,070,871</u>	<u>\$ 16,204,651</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
STATEMENT OF INCOME
(unaudited)

	Three Months Ended March 31	
	2014	2013
Rental Income	\$ 241,737	\$ 238,520
Expenses:		
Partnership Administration – Affiliates	55,459	51,104
Partnership Administration and Property Management – Unrelated Parties	19,914	10,485
Depreciation	88,093	88,093
Total Expenses	<u>163,466</u>	<u>149,682</u>
Operating Income	78,271	88,838
Other Income:		
Interest Income	<u>3,987</u>	<u>1,574</u>
Income from Continuing Operations	82,258	90,412
Income from Discontinued Operations	<u>59,592</u>	<u>64,480</u>
Net Income	<u>\$ 141,850</u>	<u>\$ 154,892</u>
Net Income Allocated:		
General Partners	\$ 1,419	\$ 1,549
Limited Partners	140,431	153,343
Total	<u>\$ 141,850</u>	<u>\$ 154,892</u>
Income per Limited Partnership Unit:		
Continuing Operations	\$ 3.60	\$ 3.95
Discontinued Operations	2.60	2.82
Total – Basic and Diluted	<u>\$ 6.20</u>	<u>\$ 6.77</u>
Weighted Average Units Outstanding – Basic and Diluted	<u>22,653</u>	<u>22,653</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
(unaudited)

	Three Months Ended March 31	
	2014	2013
Cash Flows from Operating Activities:		
Net Income	\$ 141,850	\$ 154,892
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation	88,093	122,734
Income from Equity Method Investment Held for Sale	(32,864)	0
Increase (Decrease) in Payable to AEI Fund Management, Inc.	(4,918)	(8,392)
Increase (Decrease) in Unearned Rent	21,210	8,236
Total Adjustments	71,521	122,578
Net Cash Provided By Operating Activities	<u>213,371</u>	<u>277,470</u>
Cash Flows from Investing Activities:		
Cash Paid for Equity Method Investment Held for Sale	(12,169)	0
Cash Flows from Financing Activities:		
Distributions Paid to Partners	(291,922)	(293,940)
Net Increase (Decrease) in Cash	(90,720)	(16,470)
Cash, beginning of period	5,553,960	2,259,911
Cash, end of period	<u>\$ 5,463,240</u>	<u>\$ 2,243,441</u>
Supplemental Disclosure of Non-Cash Investing Activities:		
Contribution of Real Estate in Exchange for Equity Method Investment	\$ 1,508,930	\$ 0

The accompanying Notes to Financial Statements are an integral part of this statement.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL (DEFICIT)
(unaudited)

	<u>General Partners</u>	<u>Limited Partners</u>	<u>Total</u>	<u>Limited Partnership Units Outstanding</u>
Balance, December 31, 2012	\$ 686	\$ 15,658,370	\$ 15,659,056	22,653.11
Distributions Declared	(2,939)	(291,000)	(293,939)	
Net Income	1,549	153,343	154,892	
Balance, March 31, 2013	<u>\$ (704)</u>	<u>\$ 15,520,713</u>	<u>\$ 15,520,009</u>	<u>22,653.11</u>
Balance, December 31, 2013	\$ 11,205	\$ 15,878,354	\$ 15,889,559	22,653.11
Distributions Declared	(2,919)	(289,003)	(291,922)	
Net Income	1,419	140,431	141,850	
Balance, March 31, 2014	<u>\$ 9,705</u>	<u>\$ 15,729,782</u>	<u>\$ 15,739,487</u>	<u>22,653.11</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

(1) The condensed statements included herein have been prepared by the registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the interim period, on a basis consistent with the annual audited statements. The adjustments made to these condensed statements consist only of normal recurring adjustments. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the registrant believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the registrant's latest annual report on Form 10-K.

(2) Organization –

AEI Income & Growth Fund XXI Limited Partnership ("Partnership") was formed to acquire and lease commercial properties to operating tenants. The Partnership's operations are managed by AEI Fund Management XXI, Inc. ("AFM"), the Managing General Partner. Robert P. Johnson, the President and sole director of AFM, serves as the Individual General Partner. AFM is a wholly owned subsidiary of AEI Capital Corporation of which Mr. Johnson is the majority shareholder. AEI Fund Management, Inc. ("AEI"), an affiliate of AFM, performs the administrative and operating functions for the Partnership.

The terms of the Partnership offering called for a subscription price of \$1,000 per Limited Partnership Unit, payable on acceptance of the offer. The Partnership commenced operations on April 14, 1995 when minimum subscriptions of 1,500 Limited Partnership Units (\$1,500,000) were accepted. On January 31, 1997, the offering terminated when the maximum subscription limit of 24,000 Limited Partnership Units was reached. Under the terms of the Limited Partnership Agreement, the Limited Partners and General Partners contributed funds of \$24,000,000 and \$1,000, respectively.

During operations, any Net Cash Flow, as defined, which the General Partners determine to distribute will be distributed 90% to the Limited Partners and 10% to the General Partners; provided, however, that such distributions to the General Partners will be subordinated to the Limited Partners first receiving an annual, noncumulative distribution of Net Cash Flow equal to 10% of their Adjusted Capital Contribution, as defined, and, provided further, that in no event will the General Partners receive less than 1% of such Net Cash Flow per annum. Distributions to Limited Partners will be made pro rata by Units.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

(2) Organization – (Continued)

Any Net Proceeds of Sale, as defined, from the sale or financing of properties which the General Partners determine to distribute will, after provisions for debts and reserves, be paid in the following manner: (i) first, 99% to the Limited Partners and 1% to the General Partners until the Limited Partners receive an amount equal to: (a) their Adjusted Capital Contribution plus (b) an amount equal to 10% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed from Net Cash Flow; (ii) any remaining balance will be distributed 90% to the Limited Partners and 10% to the General Partners. Distributions to the Limited Partners will be made pro rata by Units.

For tax purposes, profits from operations, other than profits attributable to the sale, exchange, financing, refinancing or other disposition of property, will be allocated first in the same ratio in which, and to the extent, Net Cash Flow is distributed to the Partners for such year. Any additional profits will be allocated in the same ratio as the last dollar of Net Cash Flow is distributed. Net losses from operations will be allocated 99% to the Limited Partners and 1% to the General Partners.

For tax purposes, profits arising from the sale, financing, or other disposition of property will be allocated in accordance with the Partnership Agreement as follows: (i) first, to those partners with deficit balances in their capital accounts in an amount equal to the sum of such deficit balances; (ii) second, 99% to the Limited Partners and 1% to the General Partners until the aggregate balance in the Limited Partners' capital accounts equals the sum of the Limited Partners' Adjusted Capital Contributions plus an amount equal to 10% of their Adjusted Capital Contributions per annum, cumulative but not compounded, to the extent not previously allocated; (iii) third, the balance of any remaining gain will then be allocated 90% to the Limited Partners and 10% to the General Partners. Losses will be allocated 98% to the Limited Partners and 2% to the General Partners.

The General Partners are not required to currently fund a deficit capital balance. Upon liquidation of the Partnership or withdrawal by a General Partner, the General Partners will contribute to the Partnership an amount equal to the lesser of the deficit balances in their capital accounts or 1% of total Limited Partners' and General Partners' capital contributions.

In January 2014, the Managing General Partner solicited by mail a proxy statement seeking the consent of the Limited Partners to continue the Partnership for an additional 60 months or to initiate the final disposition, liquidation and distribution of all of the Partnership's properties and assets. On February 14, 2014, the proposal to continue the Partnership was approved with a majority of Units voted in favor of the continuation proposal. As a result, the Managing General Partner will continue the operations of the Partnership for an additional 60 months at which time it will again ask the Limited Partners to vote on the same two proposals.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

(3) Recently Adopted Accounting Standards -

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This topic amends the requirements for reporting discontinued operations. The disposal of a component must represent a strategic shift that will have a major effect on the Partnership's operations and financial results in order to be reported as discontinued operations, and require certain additional interim and annual disclosures. The amendments in this ASU are effective for reporting periods beginning after December 15, 2014 with early adoption permitted. The Partnership has early adopted this standard effective January 1, 2014 and has applied the provisions prospectively. As a result, the Partnership anticipates that properties will not be considered discontinued operations when the properties are sold after January 1, 2014, with the exception of properties that were classified as Real Estate Held for Sale at December 31, 2013.

(4) Reclassification -

Certain items related to discontinued operations in the prior year's financial statements have been reclassified to conform to 2014 presentation. These reclassifications had no effect on Partners' capital, net income or cash flows.

(5) Equity Method Investment Held for Sale -

In the fourth quarter of 2013, the Partnership decided to sell its 20% interest in the CarMax Auto Superstore in Lithia Springs, Georgia. The remaining interests in the property are owned by three affiliated entities, AEI Income & Growth Fund 24 LLC, AEI Income & Growth Fund 25 LLC and AEI Private Net Lease Millennium Fund Limited Partnership. On March 7, 2014, to facilitate the sale of the property, the Partnership and affiliated entities contributed their respective interests in the property via a limited liability company to CM Lithia Springs DST ("CMLS"), a Delaware statutory trust ("DST"), in exchange for Class B ownership interests in CMLS. In addition, a small amount of cash was contributed for working capital. A DST is a recognized mechanism for selling property to investors who are looking for replacement real estate to complete like-kind exchanges under Section 1031 of the Internal Revenue Code. As investors purchase Class A ownership interests in CMLS, the proceeds received will be used to redeem, on a one-for-one basis, the Class B ownership interests of the Partnership and affiliated entities.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

(5) Equity Method Investment Held for Sale – (Continued)

The investment in CMLS is recorded using the equity method of accounting in the accompanying financial statements. Under the equity method, the investment in CMLS is stated at cost and adjusted for the Partnership's share of net income or losses and reduced by distributions received by the Partnership. As of March 31, 2014, the investment balance consists of the following:

Real Estate Contributed	\$	1,508,930
Cash Contributed		12,169
Net Income		32,864
Distributions Received		<u>0</u>
Equity Method Investment Held for Sale	\$	<u><u>1,553,963</u></u>

(6) Payable to AEI Fund Management, Inc. –

AEI Fund Management, Inc. performs the administrative and operating functions for the Partnership. The payable to AEI Fund Management represents the balance due for those services. This balance is non-interest bearing and unsecured and is to be paid in the normal course of business.

(7) Discontinued Operations –

On August 2, 2013, the Partnership sold its 39% interest in the Scott & White Clinic in College Station, Texas to an unrelated third party. The Partnership received net sale proceeds of \$1,822,494, which resulted in a net gain of \$512,842. At the time of sale, the cost and related accumulated depreciation was \$1,433,468 and \$123,816, respectively.

In June 2013, the Partnership entered into an agreement to sell its 62% interest in the Applebee's restaurant in Johnstown, Pennsylvania to an unrelated third party. On August 23, 2013, the sale closed with the Partnership receiving net sale proceeds of \$1,958,905, which resulted in a net gain of \$615,907. At the time of sale, the cost and related accumulated depreciation was \$1,682,887 and \$339,889, respectively.

In the fourth quarter of 2013, the Partnership decided to sell its 20% interest in the CarMax Auto Superstore in Lithia Springs, Georgia. On March 7, 2014, to facilitate the sale of the property, the Partnership contributed its interest in the property via a limited liability company to CM Lithia Springs DST as described in Note 5. At December 31, 2013, the property was classified as Real Estate Held for Sale with a carrying value of \$1,508,930.

During the first three months of 2014 and 2013, the Partnership distributed net sale proceeds of \$85,146 and \$16,314, respectively. The Limited Partners received distributions of \$84,295 and \$16,151 and the General Partners received distributions of \$851 and \$163 for the periods, respectively. The Limited Partners' distributions represented \$3.72 and \$0.71 per Unit for the periods, respectively.

AEI INCOME & GROWTH FUND XXI LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

(7) Discontinued Operations – (Continued)

The financial results for these properties are reflected as Discontinued Operations in the accompanying financial statements. The following are the results of discontinued operations for the three months ended March 31:

	2014	2013
Rental Income	\$ 26,740	\$ 99,212
Property Management Expenses	(12)	(91)
Depreciation	0	(34,641)
Income from Equity Method Investment Held for Sale	32,864	0
Income from Discontinued Operations	\$ 59,592	\$ 64,480

	2014	2013
Cash Flows from Discontinued Operations:		
Operating Activities	\$ 26,728	\$ 64,480
Investing Activities	\$ (12,169)	\$ 0

(8) Fair Value Measurements –

As of March 31, 2014 and December 31, 2013, the Partnership had no assets or liabilities measured at fair value on a recurring basis or nonrecurring basis.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS.**

This section contains "forward-looking statements" which represent management's expectations or beliefs concerning future events, including statements regarding anticipated application of cash, expected returns from rental income, growth in revenue, the sufficiency of cash to meet operating expenses, rates of distribution, and other matters. These, and other forward-looking statements, should be evaluated in the context of a number of factors that may affect the Partnership's financial condition and results of operations, including the following:

- Market and economic conditions which affect the value of the properties the Partnership owns and the cash from rental income such properties generate;
- the federal income tax consequences of rental income, deductions, gain on sales and other items and the effects of these consequences for the Partners;
- resolution by the General Partners of conflicts with which they may be confronted;
- the success of the General Partners of locating properties with favorable risk return characteristics;
- the effect of tenant defaults; and
- the condition of the industries in which the tenants of properties owned by the Partnership operate.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

Application of Critical Accounting Policies

The preparation of the Partnership's financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management evaluates these estimates on an ongoing basis, including those related to the carrying value of investments in real estate and the allocation by AEI Fund Management, Inc. of expenses to the Partnership as opposed to other funds they manage.

Properties are carried at original cost, less accumulated depreciation and amortization. The Partnership tests long-lived assets for recoverability when events or changes in circumstances indicate that the carrying value may not be recoverable. For properties the Partnership will hold and operate, management determines whether impairment has occurred by comparing the property's probability-weighted future undiscounted cash flows to its current carrying value. For properties held for sale, management determines whether impairment has occurred by comparing the property's estimated fair value less cost to sell to its current carrying value. If the carrying value is greater than the net realizable value, an impairment loss is recorded to reduce the carrying value of the property to its net realizable value. Changes in these assumptions or analysis may cause material changes in the carrying value of the properties.

AEI Fund Management, Inc. allocates expenses to each of the funds they manage primarily on the basis of the number of hours devoted by their employees to each fund's affairs. They also allocate expenses at the end of each month that are not directly related to a fund's operations based upon the number of investors in the fund and the fund's capitalization relative to other funds they manage. The Partnership reimburses these expenses subject to detailed limitations contained in the Partnership Agreement.

Management of the Partnership has discussed the development and selection of the above accounting estimates and the management discussion and analysis disclosures regarding them with the managing partner of the Partnership.

Results of Operations

For the three months ended March 31, 2014 and 2013, the Partnership recognized rental income from continuing operations of \$241,737 and \$238,520, respectively. In 2014, rental income increased due to additional rent received from rent increases on two properties. Based on the scheduled rent for the properties owned as of April 30, 2014, the Partnership expects to recognize rental income from continuing operations of approximately \$969,000 in 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

For the three months ended March 31, 2014 and 2013, the Partnership incurred Partnership administration expenses from affiliated parties of \$55,459 and \$51,104, respectively. These administration expenses include costs associated with the management of the properties, processing distributions, reporting requirements and communication with the Limited Partners. During the same periods, the Partnership incurred Partnership administration and property management expenses from unrelated parties of \$19,914 and \$10,485, respectively. These expenses represent direct payments to third parties for legal and filing fees, direct administrative costs, outside audit costs, taxes, insurance and other property costs.

For the three months ended March 31, 2014 and 2013, the Partnership recognized interest income of \$3,987 and \$1,574, respectively. In 2014, interest income increased primarily due to the Partnership having more money invested in a money market account due to two property sales in 2013.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This topic amends the requirements for reporting discontinued operations. The Partnership has early adopted this standard effective January 1, 2014 and has applied the provisions prospectively. As a result, the Partnership anticipates that properties will not be considered discontinued operations when the properties are sold after January 1, 2014, with the exception of properties that were classified as Real Estate Held for Sale at December 31, 2013.

Prior to January 1, 2014, upon complete disposal of a property or classification of a property as Real Estate Held for Sale, the Partnership included the operating results and sale of the property in discontinued operations. In addition, the Partnership reclassified the prior periods' operating results of the property to discontinued operations. For the three months ended March 31, 2014, the Partnership recognized income from discontinued operations of \$59,592, representing rental income less property management expenses of \$26,728 and income from an equity method investment held for sale of \$32,864. For the three months ended March 31, 2013, the Partnership recognized income from discontinued operations of \$64,480, representing rental income less property management expenses and depreciation.

On August 2, 2013, the Partnership sold its 39% interest in the Scott & White Clinic in College Station, Texas to an unrelated third party. The Partnership received net sale proceeds of \$1,822,494, which resulted in a net gain of \$512,842. At the time of sale, the cost and related accumulated depreciation was \$1,433,468 and \$123,816, respectively.

In June 2013, the Partnership entered into an agreement to sell its 62% interest in the Applebee's restaurant in Johnstown, Pennsylvania to an unrelated third party. On August 23, 2013, the sale closed with the Partnership receiving net sale proceeds of \$1,958,905, which resulted in a net gain of \$615,907. At the time of sale, the cost and related accumulated depreciation was \$1,682,887 and \$339,889, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

In the fourth quarter of 2013, the Partnership decided to sell its 20% interest in the CarMax Auto Superstore in Lithia Springs, Georgia. The remaining interests in the property are owned by three affiliated entities, AEI Income & Growth Fund 24 LLC, AEI Income & Growth Fund 25 LLC and AEI Private Net Lease Millennium Fund Limited Partnership. On March 7, 2014, to facilitate the sale of the property, the Partnership and affiliated entities contributed their respective interests in the property via a limited liability company to CM Lithia Springs DST ("CMLS"), a Delaware statutory trust ("DST"), in exchange for Class B ownership interests in CMLS. In addition, a small amount of cash was contributed for working capital. A DST is a recognized mechanism for selling property to investors who are looking for replacement real estate to complete like-kind exchanges under Section 1031 of the Internal Revenue Code. As investors purchase Class A ownership interests in CMLS, the proceeds received will be used to redeem, on a one-for-one basis, the Class B ownership interests of the Partnership and affiliated entities. At December 31, 2013, the property was classified as Real Estate Held for Sale with a carrying value of \$1,508,930.

The investment in CMLS is recorded using the equity method of accounting in the accompanying financial statements. Under the equity method, the investment in CMLS is stated at cost and adjusted for the Partnership's share of net income or losses and reduced by distributions received by the Partnership.

Management believes inflation has not significantly affected income from operations. Leases may contain rent increases, based on the increase in the Consumer Price Index over a specified period, which will result in an increase in rental income over the term of the leases. Inflation also may cause the real estate to appreciate in value. However, inflation and changing prices may have an adverse impact on the operating margins of the properties' tenants, which could impair their ability to pay rent and subsequently reduce the Net Cash Flow available for distributions.

Liquidity and Capital Resources

During the three months ended March 31, 2014, the Partnership's cash balances decreased \$90,720 mainly as a result of distributions paid to the Partners in excess of cash generated from operating activities. During the three months ended March 31, 2013, the Partnership's cash balances decreased \$16,470 as a result of distributions paid to the Partners in excess of cash generated from operating activities.

Net cash provided by operating activities decreased from \$277,470 in 2013 to \$213,371 in 2014 as a result of a decrease in total rental and interest income in 2014 and an increase in Partnership administration and property management expenses in 2014, which were partially offset by net timing differences in the collection of payments from the tenants and the payment of expenses.

The major components of the Partnership's cash flow from investing activities are investments in real estate and proceeds from the sale of real estate. During the three months ended March 31, 2014 and 2013, the Partnership did not complete any property acquisitions or property sales. However, during the three months ended March 31, 2014, the Partnership paid cash for an equity method investment held for sale of \$12,169.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

The Partnership's primary use of cash flow, other than investment in real estate, is distribution and redemption payments to Partners. The Partnership declares its regular quarterly distributions before the end of each quarter and pays the distribution in the first week after the end of each quarter. The Partnership attempts to maintain a stable distribution rate from quarter to quarter. Redemption payments are paid to redeeming Partners in the fourth quarter of each year.

For the three months ended March 31, 2014 and 2013, the Partnership declared distributions of \$291,922 and \$293,939, respectively, which were distributed 99% to the Limited Partners and 1% to the General Partners. The Limited Partners received distributions of \$289,003 and \$291,000 and the General Partners received distributions of \$2,919 and \$2,939 for the periods, respectively.

As part of the distributions discussed above, the Partnership distributed net sale proceeds of \$85,146 and \$16,314 in 2013 and 2012, respectively. The Limited Partners received distributions of \$84,295 and \$16,151 and the General Partners received distributions of \$851 and \$163 for the periods, respectively. The Limited Partners' distributions represented \$3.72 and \$0.71 per Unit for the periods, respectively. The Partnership anticipates the remaining net sale proceeds will either be reinvested in additional property or distributed to the Partners in the future.

The Partnership may acquire Units from Limited Partners who have tendered their Units to the Partnership. Such Units may be acquired at a discount. The Partnership will not be obligated to purchase in any year any number of Units that, when aggregated with all other transfers of Units that have occurred since the beginning of the same calendar year (excluding Permitted Transfers as defined in the Partnership Agreement), would exceed 5% of the total number of Units outstanding on January 1 of such year. In no event shall the Partnership be obligated to purchase Units if, in the sole discretion of the Managing General Partner, such purchase would impair the capital or operation of the Partnership. During the three months ended March 31, 2014 and 2013, the Partnership did not redeem any Units from the Limited Partners.

The continuing rent payments from the properties, together with cash generated from property sales, should be adequate to fund continuing distributions and meet other Partnership obligations on both a short-term and long-term basis.

The Economy and Market Conditions

The impact of conditions in the economy over the last several years, including the turmoil in the credit markets, has adversely affected many real estate investment funds. However, the absence of mortgage financing on the Partnership's properties eliminates the risks of foreclosure and debt-refinancing that can negatively impact the value and distributions of leveraged real estate investment funds. Nevertheless, a prolonged economic downturn may adversely affect the operations of the Partnership's tenants and their cash flows. If a tenant were to default on its lease obligations, the Partnership's income would decrease, its distributions would likely be reduced and the value of its properties might decline.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

Off-Balance Sheet Arrangements

As of March 31, 2014 and December 31, 2013, the Partnership had no material off-balance sheet arrangements that had or are reasonably likely to have current or future effects on its financial condition, results of operations, liquidity or capital resources.

ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Disclosure Controls and Procedures.

Under the supervision and with the participation of management, including its President and Chief Financial Officer, the Managing General Partner of the Partnership evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, the President and Chief Financial Officer of the Managing General Partner concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to management, including the President and Chief Financial Officer of the Managing General Partner, in a manner that allows timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

During the most recent period covered by this report, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There are no material pending legal proceedings to which the Partnership is a party or of which the Partnership's property is subject.

ITEM 1A. RISK FACTORS.

Not required for a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES & USE OF PROCEEDS.

(a) None.

(b) Not applicable.

(c) Pursuant to Section 7.7 of the Partnership Agreement, each Limited Partner has the right to present Units to the Partnership for purchase by submitting notice to the Managing General Partner during September of each year. The purchase price of the Units is based on a formula specified in the Partnership Agreement. Units tendered to the Partnership are redeemed on October 1st of each year subject to the following limitations. The Partnership will not be obligated to purchase in any year any number of Units that, when aggregated with all other transfers of Units that have occurred since the beginning of the same calendar year (excluding Permitted Transfers as defined in the Partnership Agreement), would exceed 5% of the total number of Units outstanding on January 1 of such year. In no event shall the Partnership be obligated to purchase Units if, in the sole discretion of the Managing General Partner, such purchase would impair the capital or operation of the Partnership. During the period covered by this report, the Partnership did not purchase any Units.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

- 31.1 Certification of Chief Executive Officer of General Partner pursuant to Rule 15d-14(a)(17 CFR 240.15d-14(a)) and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer of General Partner pursuant to Rule 15d-14(a)(17 CFR 240.15d-14(a)) and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 14, 2014

AEI Income & Growth Fund XXI
Limited Partnership
By: AEI Fund Management XXI, Inc.
Its: Managing General Partner

By: /s/ ROBERT P JOHNSON
Robert P. Johnson
President
(Principal Executive Officer)

By: /s/ PATRICK W KEENE
Patrick W. Keene
Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATIONS

I, Robert P. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AEI Income & Growth Fund XXI Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2014

/s/ ROBERT P JOHNSON

Robert P. Johnson, President
AEI Fund Management XXI, Inc.
Managing General Partner

CERTIFICATIONS

I, Patrick W. Keene, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AEI Income & Growth Fund XXI Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2014

/s/ PATRICK W KEENE
Patrick W. Keene, Chief Financial Officer
AEI Fund Management XXI, Inc.
Managing General Partner

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AEI Income & Growth Fund XXI Limited Partnership (the "Partnership") on Form 10-Q for the period ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert P. Johnson, President of AEI Fund Management XXI, Inc., the Managing General Partner of the Partnership, and Patrick W. Keene, Chief Financial Officer of AEI Fund Management XXI, Inc., each certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ ROBERT P JOHNSON
Robert P. Johnson, President
AEI Fund Management XXI, Inc.
Managing General Partner
May 14, 2014

/s/ PATRICK W KEENE
Patrick W. Keene, Chief Financial
Officer
AEI Fund Management XXI, Inc.
Managing General Partner
May 14, 2014
