LEGEND OAKS, LLC
(A NEBRASKA LIMITED LIABILITY COMPANY)

dba LEGEND OAKS

REPORT ON AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

LEGEND OAKS, LLC
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Dauby O'Connor & Zaleski, LLC
A Limited Liability Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of
Legend Oaks, LLC
(A Nebraska Limited Liability Company)

Report on the Financial Statements

We have audited the accompanying financial statements of Legend Oaks, LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in Members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Legend Oaks, LLC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legend Oaks, LLC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legend Oaks, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dauby O'Connor & Zaleski, LLC

February 28, 2021
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents		
Cash	$ 38,795	$ 21,012
Operating reserve	99,094	98,847
Reserve for replacements	82,127	72,597
Total cash and cash equivalents	**220,016**	**192,456**
Other assets	7,051	6,594
Property and equipment, net	1,460,055	1,558,881
Unamortized costs, net	-	677
	$ 1,687,122	**$ 1,758,608**

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	2020	2019
Accounts payable	$ 27,484	$ 11,357
Accrued interest	22,874	21,994
Accrued real estate taxes	1,340	-
Resident security deposits	9,391	9,637
Mortgage notes and loans payable	571,842	549,848
Total liabilities	**632,931**	**592,836**
Members' equity (deficit)	**1,054,191**	**1,165,772**
	$ 1,687,122	**$ 1,758,608**

LEGEND OAKS, LLC
(A NEBRASKA LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenues		
Rental income	$ 112,753	$ 106,306
Interest	274	1,650
Other	1,581	-
Total revenues	**114,608**	**107,956**
Expenses		
Depreciation and amortization	100,370	101,228
Administrative	36,896	29,067
Operating and maintenance	19,523	28,709
Taxes and insurance	46,526	43,584
Interest expense	22,874	21,994
Total expenses	**226,189**	**224,582**
Net income (loss)	**$ (111,581)**	**$ (116,626)**

See notes to financial statements

STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Investor Member	Special Member	Managing Member	Total
Balance, January 1, 2019	**$ 1,160,422**	**$ 10**	**$ 121,966**	**$ 1,282,398**
Net income (loss)	(116,614)	-	(12)	(116,626)
Balance, December 31, 2019	**1,043,808**	**10**	**121,954**	**1,165,772**
Net income (loss)	(111,570)	-	(11)	(111,581)
Balance, December 31, 2020	**$ 932,238**	**$ 10**	**$ 121,943**	**$ 1,054,191**
Ownership Percentage	99.99%	0.00%	0.01%	100.00%

LEGEND OAKS, LLC
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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of net income (loss) to net cash provided by (used in) operating activities		
Net income (loss)	$ (111,581)	$ (116,626)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	100,370	101,228
Capitalization of interest into mortgage notes and loans payable	21,994	21,148
Changes in:		
Other assets	(457)	(727)
Accounts payable	16,127	(3,884)
Accrued interest	880	846
Accrued real estate taxes	1,340	(1,354)
Resident security deposits liability	(246)	328
Total adjustments	140,008	117,585
Net cash provided by (used in) operating activities	28,427	959
Cash flow from investing activities		
Purchase of property and equipment	(867)	(1,104)
Change in cash and cash equivalents	27,560	(145)
Cash and cash equivalents at beginning of year	192,456	192,601
Cash and cash equivalents at end of year	$ 220,016	$ 192,456
Supplemental disclosure		
Interest paid	$ -	$ -

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Legend Oaks, LLC (the "Company") is a Nebraska Limited Liability Company formed to acquire, develop, and construct a 21 unit multifamily residential rental community known as Legend Oaks (the "Property") located in Lexington, Nebraska. The Company has qualified 100% of the units in the Property for low-income housing credits in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986. Generally, the low-income housing credit is computed as a percentage of the qualified basis of the property and is allowed annually during a period of ten years commencing with the year the building is placed in service. The applicable units must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. The Company has received an annual maximum allocation of credits of $324,331. The final year of tax credits is 2020.

The ownership of the Company is as follows:

The Housing Authority of the City of Lexington, Nebraska (the "Managing Member")	00.01%
Nebraska Fund XIV, L.P. (the "Investor Member")	99.99%
Midwest Housing Assistance Corporation (the "Special Member")	00.00%
	100.00%

The term of the Company shall extend in perpetuity, unless sooner terminated as provided in the Operating Agreement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

New accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, which once implemented will result in lessees recognizing most leased assets and corresponding lease liabilities on the Balance Sheets. The standard is effective for year-ends beginning after December 15, 2021 and early adoption is permitted. The lease standard is not expected to have a material impact on the financial statements.

Cash

For the Statements of Cash Flows, all unrestricted investments with original maturities of three months or less are cash equivalents. At December 31, 2020 and 2019, cash consists of operating checking and savings accounts.

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident receivable and bad debt policy

Resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages or cleaning fees, if applicable. Resident receivables consist of amounts due for rental income or the charges for damages and/or cleaning fees. The Company does not accrue interest on the resident receivable balances.

The Company reviews its outstanding resident receivables on a regular basis and records an allowance for the outstanding resident receivables over 60 days. There were no bad debts expensed for the years ended December 31, 2020 and 2019.

Property and equipment

Property and equipment is recorded at cost. Depreciation is provided principally on the straight line method over the remaining estimated useful lives of the assets, which range from 5 to 27.5 years. Expenditures for repairs and betterments, which do not materially extend the life of the asset, are charged to expense.

The Company is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB *Accounting Standards Codification* ("ASC") 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Company's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized for the years ended December 31, 2020 and 2019.

Unamortized costs

Unamortized costs consisted of costs to obtain the tax credits. These costs were amortized over the credit period on a straight line basis.

Revenue recognition

Rental revenue attributable to residential operating leases is recorded when due from residents, generally upon the first day of each month for periods of up to one year, and are considered operating leases under FASB ASC 840 and are not within the scope of FASB ASU 2014-09. Advance receipts of rental income will be deferred until earned. Other income results from fees for late payments, cleaning, damages and laundry facilities and is recorded when earned.

Advertising costs

Advertising costs are expensed as incurred and are included in administrative expenses in the Statements of Operations.

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes

Property taxes are expensed in the year of the lien such that twelve months of expense are recorded.

Concentration of credit risk

The Company places its temporary cash investments with high credit quality financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, the account balances may exceed the FDIC insurance limits.

The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by regulatory agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value

The Company is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Fair Value Measurement did not have a material impact on the Company's financial statements for the years ended December 31, 2020 and 2019.

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for uncertainty in income taxes

The Company is treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which it must consider for disclosure. There has been no interest or penalties recognized in the Statements of Operations or Balance Sheets for the years ended December 31, 2020 and 2019. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authorities.

Subsequent events

Management performed an evaluation of the Company's activity through February 28, 2021, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these financial statements were available to be issued.

NOTE 2-UNAMORTIZED COSTS

Unamortized costs consisted of costs for obtaining the tax credits. These costs were amortized over the credit period. The following summarizes the cost:

	2020	2019
Tax credit fees	$ 16,244	$ 16,244
Accumulated amortization	(16,244)	(15,567)
Unamortized costs, net	**$ -**	**$ 677**

Amortization expense for the years ended December 31, 2020 and 2019 totaled $677 and $1,624, respectively. At December 31, 2020, the costs are fully amortized.

NOTE 3-PROPERTY AND EQUIPMENT

Property and equipment have been recorded at cost and consist of the following:

	2020	2019
Land	$ 10,006	$ 10,006
Buildings	2,495,680	2,494,813
Furniture and equipment	299,719	299,719
Subtotal	2,805,405	2,804,538
Accumulated depreciation	(1,345,350)	(1,245,657)
Property and equipment, net	**$ 1,460,055**	**$ 1,558,881**

For the years ended December 31, 2020 and 2019, depreciation expense totaled $99,693 and $99,604, respectively.

NOTE 4-MORTGAGE NOTES AND LOANS PAYABLE

Mortgage notes and loans payable consist of the following at December 31:

Description of debt	Interest Rate	Payments	Maturity	Principal Balance 2020	Principal Balance 2019
Nebraska Department of Economic Development, HOME funds, in the original principal amount of $392,941, collateralized by a security interest in Legend Oaks, LLC.	4%, compounding annually	Due at maturity	January 1, 2026	$ 571,842	$ 549,848

For the years ended December 31, 2020 and 2019, interest expense totaled $22,874 and $21,994, respectively. At December 31, 2020 and 2019, accrued interest totaled $22,874 and $21,994, respectively.

Principal payments related to the mortgage notes and loans payable for the next five years and thereafter are as follows:

2021	$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	571,842
	$ 571,842

The property and equipment and other assets are pledged as collateral on the mortgage notes and loans payable.

NOTE 5-RELATED PARTIES

The Company has entered into an agreement with an affiliated entity (the "Agent") for management of the rental operations of the Property. For the years ended December 31, 2020 and 2019, management fees totaled $11,433 and $10,631, respectively. These expenses are included in administrative expenses on the Statements of Operations.

Midwest Housing Equity Group, Inc., an affiliate of the Investor Member, earned a compliance monitoring and consulting service fee of $2,560 and $2,510 for the years ended December 31, 2020 and 2019, respectively. This fee is included in administrative expenses on the Statements of Operations. At December 31, 2020 and 2019, $2,560 and $2,510 remained payable, respectively. These amounts are included in accounts payable on the Balance Sheets.

Incentive management fee

In consideration for the efficient management of the Company and business, the Company shall pay to the Managing Member an annual non-cumulative incentive management fee of 100% of cash flow remaining after certain payments, as defined, to the extent that the Company has net cash flow available for payment of such fee. In no year will the incentive management fee exceed 12% of gross rental receipts. During the years ended December 31, 2020 and 2019, incentive management fees of $5,367 and $-0- were earned, respectively. These amounts are included in administrative expenses on the Statements of Operations. At December 31, 2020 and 2019, $6,231 and $-0- remained payable, respectively. These amounts are included in accounts payable on the Balance Sheets.

NOTE 6-MEMBERS' EQUITY (DEFICIT)

Except as otherwise provided in the Operating Agreement, all net profits, net losses, net cash flow and each item of income, gain, loss, deduction and/or low income housing tax credit shall be allocated 99.99% to the Investor Member and .01% to the Managing Member.

As of December 31, 2020 and 2019, the Investor Member has contributed $2,688,694, in accordance with the Operating Agreement.

NOTE 7-COMMITMENTS AND CONTINGENCIES

The Company expects to generate an aggregate of $3,243,310 of low-income housing tax credits ("Tax Credits") issued by Nebraska Investment Finance Authority. Generally, such low-income housing credits become available for use by its Members pro-rata over a ten-year period that began in 2010. Because the Tax Credits are subject to complying with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized and failure to meet all such requirements may result in generating a lesser amount of Tax Credits than the expected amount. Also, low-income housing tax credits are contingent on the Company's ability to maintain compliance with Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct non-compliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the capital contributed by the Investor Member, which could reduce the fair value of the property.

NOTE 7-COMMITMENTS AND CONTINGENCIES (CONTINUED)

Extended Use Agreement and Declaration of Restrictive Covenants

The Company has entered into an Extended Use Agreement and Declaration of Restrictive Covenants with the Nebraska Investment Finance Authority, which restricts the use of the Property to low-income and very low-income families, as defined, for twenty years after the close of the compliance period, as defined.

Economic conditions

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies, and, as such, the Company is unable to determine if it will have a material impact to its operations.