SUPPLEMENTAL FINANCIAL REPORT – FIRST QUARTER 2020

NorthStar
HEALTHCARE INCOME

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement. Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements: operating costs and business disruption may be greater than expected; the Company's operating results may differ materially from the information presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020; the fair value of the Company's investments may be subject to uncertainties; the Company's use of leverage could hinder its ability to make distributions and may significantly impact its liquidity position; given the Company's dependence on its external manager, an affiliate of Colony Capital, Inc., any adverse changes in the financial health or otherwise of its manager or Colony Capital, Inc. could hinder the Company's operating performance and return on stockholders’ investment; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits, including, but not limited to expected returns on equity and/or yields on investments; the impact on the Company's liquidity position of any further impairments or defaults under its mezzanine loan; the Company's liquidity, including its ability to fund capital contributions in its unconsolidated joint ventures and to continue to generate liquidity by more accelerated sales of certain lower yielding and non-core assets; the timing of and ability to deploy available capital; the Company’s ability to re-commence the payment of dividends at all in the future; the timing of and ability to complete repurchases of the Company’s stock; the ability of the Company to refinance certain mortgage debt on similar terms to those currently existing or at all; and the impact of actual or threatened public health epidemics or outbreaks, such as the COVID-19 pandemic, or of legislative, regulatory and competitive changes. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as well as in the Company’s other filings with the Securities and Exchange Commission (the “SEC”).

The Company cautions investors not to unduly rely on any forward-looking statements. The forward-looking statements speak only as of the date of this presentation. The Company is under no duty to update any of these forward-looking statements after the date of this presentation, nor to conform prior statements to actual results or revised expectations, and the Company does not intend to do so.

References to “we”, “us”, “our” the “Company” or “NorthStar Healthcare” refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

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I. COVID-19 PANDEMIC UPDATE

NorthStar HEALTHCARE INCOME

- Our first priority during this time has been, and continues to be, the health and safety of the residents and staff at our communities. We are focused on supporting our operating partners during this unprecedented time.
- As of May 7, 2020, as reported by our operators and managers, approximately 22.6% of the communities in our direct investments have confirmed cases of COVID-19 while approximately 32.8% of the communities in our unconsolidated investments have confirmed cases.
  - In some instances, confirmed cases have resulted in deaths of residents and staff. The confirmed cases in our portfolio may continue and could accelerate depending on the duration, scope and depth of the pandemic.
- Since March 2020, the COVID-19 pandemic has affected the fundamentals of our business in the following ways:
  - Occupancy across our direct investments was 78.9% as of May 7, 2020, a 2.2% decline since March 31, 2020. We anticipate that our occupancy will continue to decline as shelter-in-place restrictions and reduced admissions have dramatically limited inquiries and tours and caused a significant reduction in move-ins.
  - Operating costs have also begun to rise as operators take action to protect residents and staff. Operators are paying a premium for labor and personal protective equipment continues to be difficult and costly to source.
    - Through March 31, 2020, additional operating expenses incurred as a result of the pandemic totaled approximately $0.4 million for the communities in our direct operating investments. We expect these expenses to increase significantly.

I. COVID-19 PANDEMIC UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

- We are actively managing capital needs and liquidity to mitigate the financial impact of COVID-19 on our business and preserve long-term value for our stockholders. We have taken the following actions in light of the uncertainty surrounding the financial impact of the pandemic:
  - In April 2020, we borrowed $35.0 million under our revolving line of credit from an affiliate of our Sponsor.
  - Effective April 30, 2020, we suspended all repurchases of shares under our share repurchase program.
  - We have entered into forbearance agreements to defer up to 90 days of contractual debt service for borrowings on properties within the Aqua and Fountains portfolios. The aggregate outstanding principal amount of these borrowings totaled $484.9 million as of March 31, 2020. The deferred debt service must be repaid over the 12 months following the forbearance period with no additional interest or penalties incurred.
  - We are in discussions with other lenders, regarding deferral of payment obligations and forbearance/waiver of non-payment defaults for failure to satisfy certain financial or other covenants. As of May 7, 2020, we have not yet made May debt service payments for borrowings on properties within our Winterfell, Rochester and Arbors portfolios¸ as discussions with lenders of these portfolios regarding forbearance are currently ongoing. If we are not granted forbearance, or otherwise elect not to enter into forbearance agreements, we currently expect to make May debt service payments at that time.
  - We have limited capital expenditures of our operating real estate to life safety and essential projects.
- If a general economic downturn resulting from efforts to contain COVID-19 persists over an extended period of time, this could have a prolonged negative impact on our financial condition and results of operations.
  - At this time, as the extent and duration of the increasingly broad effects of COVID-19 on the global economy remain unclear, it is difficult to assess and estimate the impact on our results of operations with any meaningful precision.

II. OUR INVESTMENTS

We conduct our business through the following five segments, which are based on how management reviews and manages our business:

Direct Investments - Net Lease - Healthcare properties operated under net leases with tenant operators.

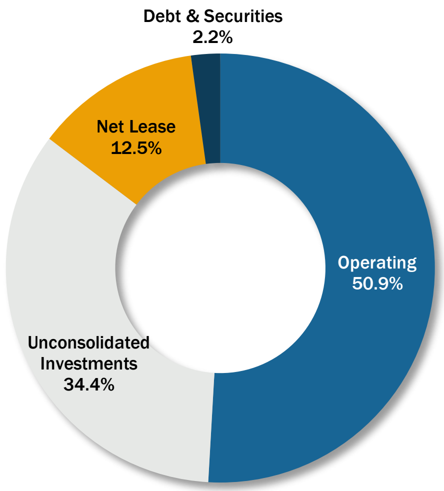
Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare operators.

Unconsolidated Investments - Healthcare joint ventures, including properties operated under net leases or pursuant to management agreements with healthcare operators, in which we own a minority interest.

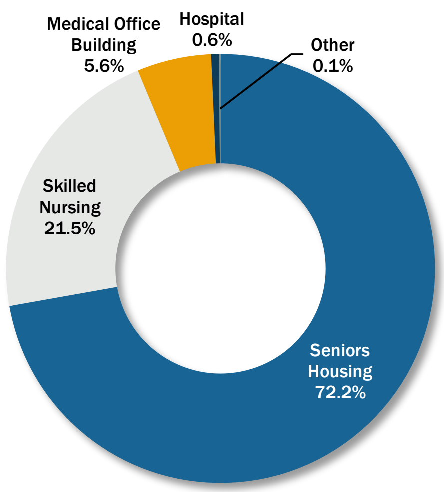
Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities backed primarily by loans secured by healthcare properties.

Corporate - Includes corporate level asset management and other fees - related party and general and administrative expenses.

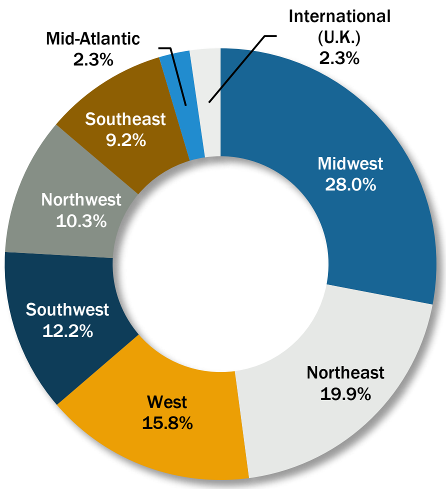
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of March 31, 2020. Property type classification based on predominant services provided, but may include other services.

II. OUR INVESTMENTS (CONT.)

($ In thousands)

Investment Type / Portfolio	Amount[3]	Properties Count By Type[1][2] SH	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Net Lease								
Watermark Fountains[4]	$ 288,836	6	-	-	-	6	Various	100.0%
Arbors	126,825	4	-	-	-	4	Northeast	100.0%
Peregrine	10,000	1	-	-	-	1	Southeast	100.0%
Subtotal	425,661	11	-	-	-	11		
Direct Investments - Operating								
Winterfell	904,985	32	-	-	-	32	Various	100.0%
Watermark Fountains[4]	356,914	9	-	-	-	9	Various	97.0%
Rochester	219,518	10	-	-	-	10	Northeast	97.0%
Watermark Aqua	116,216	5	-	-	-	5	West/Southwest/Midwest	97.0%
Avamere	99,438	5	-	-	-	5	Northwest	100.0%
Oak Cottage	19,427	1	-	-	-	1	West	100.0%
Kansas City	15,000	2	-	-	-	2	Midwest	100.0%
Subtotal	1,731,498	64	-	-	-	64		
Unconsolidated Investments								
Griffin-American	454,154	92	108	40	9	249	Various	14.3%
Trilogy[5]	346,219	9	-	67	-	76	Various	23.2%
Espresso	317,166	6	-	148	-	154	Various	36.7%
Eclipse	50,437	44	-	23	-	67	Various	5.6%
Solstice[6]	-	-	-	-	-	-	Various	20.0%
Subtotal	1,167,976	151	108	278	9	546		
Debt and Securities Investments								
Mezzanine Loan[7]	74,182	-	-	-	-	-		
Total Investments	$ 3,399,317	226	108	278	9	621		

As of March 31, 2020. See ‘Footnotes’ in the Appendix.

III. BUSINESS DEVELOPMENTS & PORTFOLIO HIGHLIGHTS – FIRST QUARTER 2020

NorthStar HEALTHCARE INCOME

Business & Financial

- GAAP net income increased by $14.4M to a $12.5M loss in Q1 2020 as compared to a $26.9M loss in Q4 2019, primarily due to the following:
  - Real estate impairments recorded in Q4 2019 for our consolidated investments;
  - GAAP earnings improvements were partially offset by equity in losses recorded for the unconsolidated ventures resulting primarily from lower rental income recognized and foreign currency translation losses.
- During the three months ended March 31, 2020, on a same store basis, performance of our direct operating investments improved, generating rental and resident fee income, net of property operating expenses, of $18.9 million as compared to $18.1 million during the three months ended December 31, 2019, primarily due to the following:
  - Higher revenues as a result of billing rate increases and lower concessions granted; and
  - Lower operating expenses, particularly related to repairs and maintenance related costs.
- During the three months ended March 31, 2020, our direct operating investments achieved a weighted average resident occupancy of 81.4% as compared to 81.6% for the three months ended December 31, 2019.
  - Our Winterfell portfolio's average occupancy was 79.0% for the three months ended March 31, 2020, a decrease from 79.8% for the three months ended December 31, 2019.
  - Our operating portfolios managed by Watermark Retirement Communities maintained an overall average occupancy of 83.3% for the three months ended March 31, 2020 and December 31, 2019, respectively.
- Earnings recorded by our unconsolidated investment portfolios declined during the three months ended March 31, 2020 as compared to the three months ended December 31, 2019, primarily driven by both the Griffin-American and Espresso joint ventures benefiting from the recognition of non-recurring rental and other revenue during three months ended December 31, 2019.
- Distributions from our unconsolidated ventures continue to be limited by reinvestment and development in the Trilogy and Griffin-American joint ventures and working capital needs for the Espresso joint venture, which have and will continue to negatively impacted our liquidity position.
- Modified Funds from Operations increased to $16.9 million for Q1 2020 as compared to $14.6 million for Q1 2019 primarily due to lower interest expense and asset management fees incurred.

IV. KEY PORTFOLIO METRICS

($ In thousands)

Key Metrics
(as of and for the three months ended March 31, 2020)

Direct Investments:			Consolidated Debt:		
Net lease properties		11	Total mortgage and other notes payable	$	1,449,692
Weighted average remaining lease term		7.3 years	Leverage as a % of adjusted assets[1]		60.5%
Operating properties		64	Repayment of mortgage notes[2]	$	5,942
Weighted average occupancy		81.5%	Borrowings from mortgage notes	$	-
Gross asset amount	$	1,934,104			
Capital expenditures[2]	$	2,127			

Operator / Tenant Information	Properties Managed	Units Under Management[3]		Property and Other Revenues[4]	% of Total Property and Other Revenues
Watermark Retirement Communities	30	5,265	$	37,899	52.0%
Solstice Senior Living[5]	32	4,000		25,959	35.6%
Avamere Health Services	5	453		4,564	6.3%
Arcadia Management	4	572		2,654	3.6%
Integral Senior Living[5]	3	162		1,752	2.4%
Senior Lifestyle Corporation[6]	1	63		-	0.0%
Other[7]	-	-		63	0.1%
Total	**75**	**10,515**	**$**	**72,891**	**100.0%**

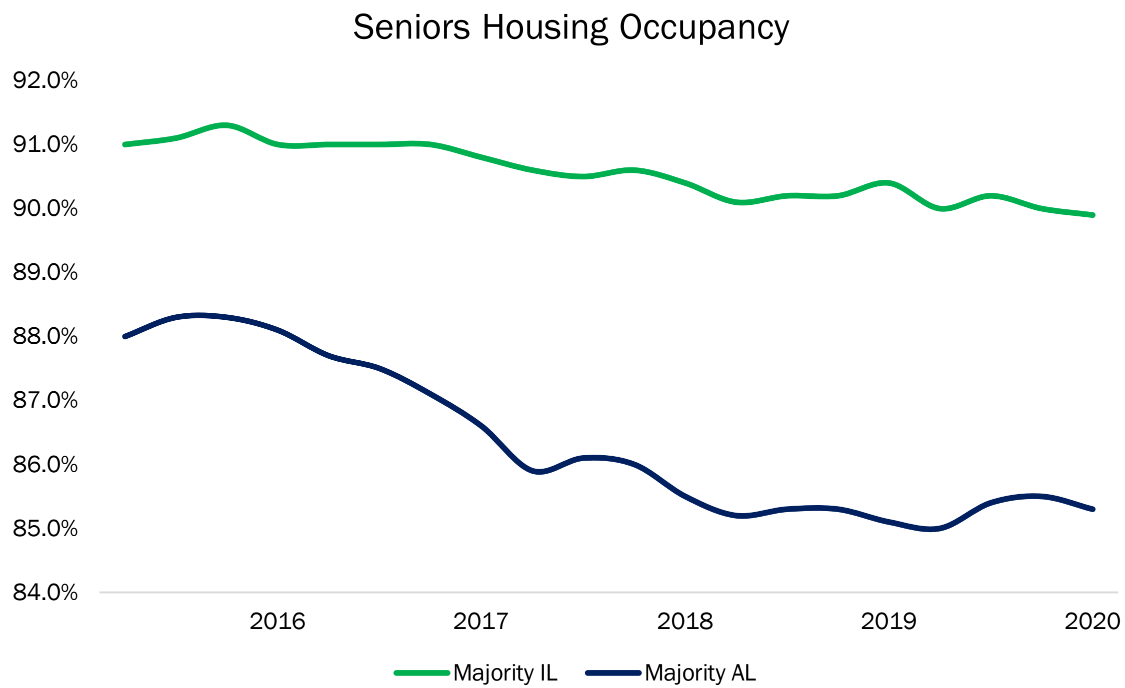
See “Footnotes” in the Appendix

V. HEALTHCARE MARKET UPDATE

NorthStar HEALTHCARE INCOME

Seniors Housing

- Seniors housing occupancy decreased to 87.7% in Q1 2020 from 87.9% in Q4 2019
  - Seniors housing occupancy is 250 bps below 4Q 2014 peak of 90.2%
  - Independent Living ("IL"): Decreased to 89.9% (Q1 2020) from 90.0% (Q4 2019)
  - Assisted Living ("AL"): Decreased to 85.3% (Q1 2020) from 85.5% (Q4 2019)

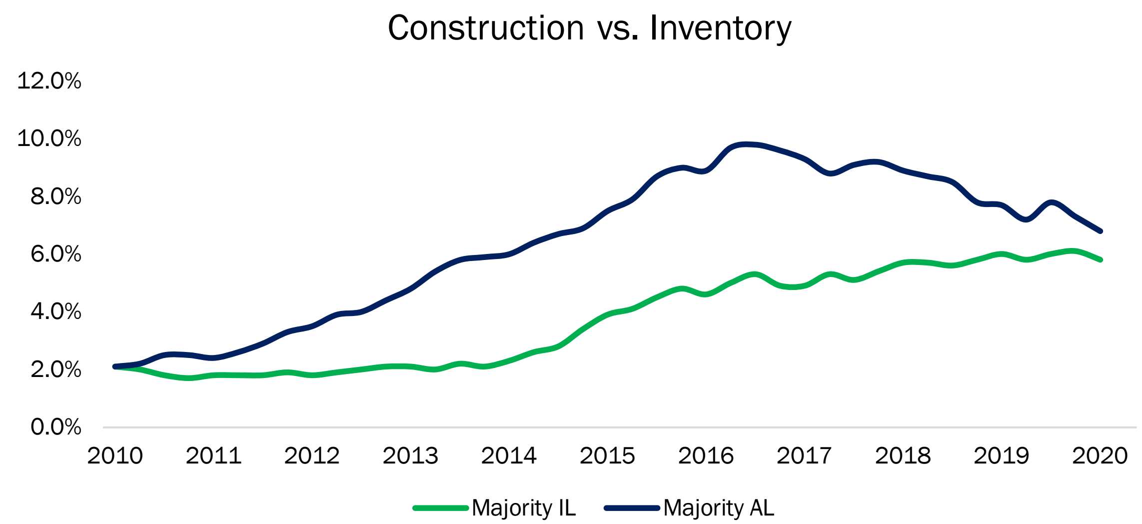


Source: National Investment Center for Seniors Housing & Care (NIC)

NorthStar HEALTHCARE INCOME

Seniors Housing (cont.)

- Although seniors housing construction as a percentage of inventory decreased 50 bps to 6.2% (Q1 2020) from 6.7% (Q4 2019), construction remains elevated
  - IL: Units under construction decreased to 5.8% of inventory in Q1 2020, down from 6.1% in Q4 2019
  - AL: Units under construction decreased to 6.8% of inventory in Q1 2020 the lowest rate since 2014 and down from the peak of 9.9% in 2017



Source: National Investment Center for Seniors Housing & Care (NIC)

APPENDIX

NorthStar
HEALTHCARE INCOME

CONSOLIDATED BALANCE SHEETS

NorthStar HEALTHCARE INCOME

(In thousands)

	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Cash and cash equivalents	$ 36,888	$ 41,884
Restricted cash	15,010	16,936
Operating real estate, net	1,687,267	1,700,218
Investments in unconsolidated ventures	265,309	268,894
Real estate debt investments, net	55,281	55,468
Assets held for sale	1,649	1,649
Receivables, net	13,925	13,314
Deferred costs and intangible assets, net	27,887	28,355
Other assets	17,082	14,489
Total assets	**$ 2,120,298**	**$ 2,141,207**
Liabilities		
Mortgage and other notes payable, net	$ 1,427,440	$ 1,431,922
Due to related party	5,030	5,780
Escrow deposits payable	3,318	3,292
Accounts payable and accrued expenses	25,639	28,135
Other liabilities	4,417	4,574
Total liabilities	**1,465,844**	**1,473,703**
Equity		
Common stock	1,892	1,891
Additional paid-in capital	1,702,799	1,702,260
Retained earnings (accumulated deficit)	(1,053,778)	(1,041,297)
Accumulated other comprehensive income (loss)	(1,514)	(470)
Total stockholders' equity	649,399	662,384
Non-controlling interests	5,055	5,120
Total equity	**654,454**	**667,504**
Total liabilities and equity	**$ 2,120,298**	**$ 2,141,207**

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Property and other revenues		
Resident fee income	$ 32,847	$ 31,878
Rental income	39,980	40,286
Other revenue	64	357
Total property and other revenues	72,891	72,521
Interest income		
Interest income on debt investments	1,905	1,902
Expenses		
Real estate properties - operating expenses	45,701	45,218
Interest expense	16,679	17,396
Transaction costs	7	38
Asset management and other fees - related party	4,431	4,994
General and administrative expenses	3,029	3,054
Depreciation and amortization	16,489	22,399
Total expenses	86,336	93,099
Other income (loss)		
Realized gain (loss) on investments and other	-	237
Equity in earnings (losses) of unconsolidated ventures	(993)	(224)
Income tax expense	(14)	(6)
Net income (loss)	**(12,547)**	**(18,669)**
Net (income) loss attributable to non-controlling interests	66	52
Net income (loss) attributable to common stockholders	**(12,481)**	**(18,617)**
Net income (loss) per share, basic/diluted	$ (0.07)	$ (0.10)
Weighted average number of shares outstanding, basic/diluted	189,038,484	189,005,931
Distributions declared per share of common stock	$ -	$ 0.03

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(In thousands)

	Three Months Ended March 31,	
	2020	2019
Funds from operations:		
Net income (loss) attributable to NHI	$ (12,481)	$ (18,617)
Adjustments:		
Depreciation and amortization	16,489	22,399
Depreciation and amortization related to unconsolidated ventures	8,187	7,903
Depreciation and amortization related to non-controlling interests	(161)	(156)
Realized (gain) loss from sales of property related to unconsolidated ventures	-	(86)
Impairment losses of depreciable real estate held by unconsolidated ventures	362	-
Funds from operations attributable to NHI	**$ 12,396**	**$ 11,443**
Modified funds from operations:		
Funds from operations attributable to NHI	$ 12,396	$ 11,443
Adjustments		
Acquisition fees and transaction costs	7	38
Straight-line rental (income) loss	11	(189)
Amortization of premiums, discounts and fees on investments and borrowings	1,238	1,238
Adjustments related to unconsolidated ventures	3,259	2,267
Adjustments related to non-controlling interests	(12)	(4)
Realized (gain) loss on investments and other	-	(237)
Modified funds from operations attributable to NHI	**$ 16,899**	**$ 14,556**

SEGMENT INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

Three Months Ended March 31, 2020	Direct Investments Net Lease	Direct Investments Operating	Unconsolidated Investments	Debt and Securities	Corporate	Total
Property and other revenues	$ 8,222	$ 64,606	$ -	$ -	$ 63	$ 72,891
Interest income on debt investments	-	-	-	1,905	-	1,905
Real estate properties - operating expenses	(13)	(45,688)	-	-	-	(45,701)
Interest expense	(2,964)	(13,715)	-	-	-	(16,679)
Transaction costs	-	(7)	-	-	-	(7)
Asset management and other fees - related party	-	-	-	-	(4,431)	(4,431)
General and administrative expenses	(44)	14	-	(9)	(2,990)	(3,029)
Depreciation and amortization	(3,737)	(12,752)	-	-	-	(16,489)
Equity in earnings (losses) of unconsolidated ventures	-	-	(993)	-	-	(993)
Income tax expense	-	(14)	-	-	-	(14)
Net income (loss)	**$ 1,464**	**$ (7,556)**	**$ (993)**	**$ 1,896**	**$ (7,358)**	**$ (12,547)**

Three Months Ended March 31, 2019	Direct Investments Net Lease	Direct Investments Operating	Unconsolidated Investments	Debt and Securities	Corporate	Total
Property and other revenues	$ 8,552	$ 63,613	$ -	$ 10	$ 346	$ 72,521
Interest income on debt investments	-	-	-	1,902	-	1,902
Real estate properties - operating expenses	-	(45,218)	-	-	-	(45,218)
Interest expense	(3,276)	(14,040)	-	-	(80)	(17,396)
Transaction costs	-	(38)	-	-	-	(38)
Asset management and other fees - related party	-	-	-	-	(4,994)	(4,994)
General and administrative expenses	(16)	(11)	-	(9)	(3,018)	(3,054)
Depreciation and amortization	(3,564)	(18,835)	-	-	-	(22,399)
Realized gain (loss) on investments and other	-	237	-	-	-	237
Equity in earnings (losses) of unconsolidated ventures	-	-	(224)	-	-	(224)
Income tax expense	-	(6)	-	-	-	(6)
Net income (loss)	**$ 1,696**	**$ (14,298)**	**$ (224)**	**$ 1,903**	**$ (7,746)**	**$ (18,669)**

FOOTNOTES

NorthStar HEALTHCARE INCOME

Page 7 – Our Investments

1) Classification based on predominant services provided, but may include other services.
2) Excludes properties held for sale.
3) Amounts shown in thousands, based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Does not include cost of properties held for sale. For real estate debt, based on principal amount. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
4) Watermark Fountains portfolio consists of six wholly-owned net lease properties totaling $288.8 million and nine operating facilities totaling $356.9 million, in which we own a 97.0% interest. One of the operating facilities consists of eight condominium units in which we hold future interests, or the Remainder Interests.
5) Includes institutional pharmacy, therapy businesses and lease purchase buy-out options in connection with the Trilogy investment, which are not subject to property count.
6) Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of IL, AL and memory care, or MC, founded in 2000, which owns 80.0%, and us, who owns 20.0%.
7) Our mezzanine loan was originated to a subsidiary of our joint venture with Formation Capital, LLC, or Formation, and Safanad Management Limited, which we refer to as Espresso.

Page 9 – Key Portfolio Metrics

1) Our charter limits us from incurring borrowings that would exceed 300.0% of our net assets. We cannot exceed this limit unless any excess in borrowing over such level is approved by a majority of our independent directors. We would need to disclose any such approval to our stockholders in our next quarterly report along with the justification for such excess. An approximation of this leverage limitation, excluding indirect leverage held through our unconsolidated joint venture investments and any securitized mortgage obligations to third parties, is 75.0% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of March 31, 2020, our leverage was 60.5% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation.
2) Represents cash used for repayments of mortgage notes and capital expenditures for operating real estate investments during the three months ended March 31, 2020.
3) Represents rooms for AL and IL facilities and beds for MC and skilled nursing facilities, based on predominant type.
4) Includes rental income received from our net lease properties as well as rental income, ancillary service fees and other related revenue earned from IL residents and resident fee income derived from our AL, MC and continuing care retirement communities, which includes resident room and care charges, ancillary fees and other resident service charges.
5) Solstice is a joint venture of which affiliates of ISL own 80%.
6) Tenant has failed to remit rental payments during the three months ended March 31, 2020. Properties and unit counts exclude one property held for sale.
7) Consists primarily of interest income earned on corporate-level cash accounts.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS

We believe that Funds from Operations ("FFO") and Modified Funds from Operations ("MFFO") are additional appropriate measures of the operating performance of a real estate investment trust ("REIT") and of us in particular. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), as net income (loss) (computed in accordance with U.S. GAAP), excluding gains (losses) from sales of depreciable property, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, impairment on depreciable property owned directly or indirectly and after adjustments for unconsolidated ventures.

Changes in the accounting and reporting rules under U.S. GAAP that have been put into effect since the establishment of NAREIT's definition of FFO have prompted an increase in the non-cash and non-operating items included in FFO. For instance, the accounting treatment for acquisition fees related to business combinations has changed from being capitalized to being expensed. Additionally, publicly registered, non-traded REITs are typically different from traded REITs because they generally have a limited life followed by a liquidity event or other targeted exit strategy. Non-traded REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation as compared to later years when the proceeds from their public offering have been fully invested and when they may seek to implement a liquidity event or other exit strategy. However, it is likely that we will make investments past the acquisition and development stage, albeit at a substantially lower pace.

Due to certain of the unique features of publicly-registered, non-traded REITs, the Institute for Portfolio Alternatives ("IPA"), an industry trade group, standardized a performance measure known as MFFO and recommends the use of MFFO for such REITs. Management believes MFFO is a useful performance measure to evaluate our business and further believes it is important to disclose MFFO in order to be consistent with the IPA recommendation and other non-traded REITs. MFFO adjusts for items such as acquisition fees would only be comparable to non-traded REITs that have completed the majority of their acquisition activity and have other similar operating characteristics as us. Neither the SEC, nor any other regulatory body has approved the acceptability of the adjustments that we use to calculate MFFO. In the future, the SEC or another regulatory body may decide to standardize permitted adjustments across the non-listed REIT industry and we may need to adjust our calculation and characterization of MFFO.

MFFO is a metric used by management to evaluate our future operating performance once our organization and offering and acquisition and development stages are complete and is not intended to be used as a liquidity measure. Although management uses the MFFO metric to evaluate future operating performance, this metric excludes certain key operating items and other adjustments that may affect our overall operating performance. MFFO is not equivalent to net income (loss) as determined under U.S. GAAP. In addition, MFFO is not a useful measure in evaluating net asset value, since an impairment is taken into account in determining net asset value but not in determining MFFO.

We define MFFO in accordance with the concepts established by the IPA, and adjust for certain items, such as accretion of a discount and amortization of a premium on borrowings and related deferred financing costs, as such adjustments are comparable to adjustments for debt investments and will be helpful in assessing our operating performance. We also adjust MFFO for the non-recurring impact of the non-cash effect of deferred income tax benefits or expenses, as applicable, as such items are not indicative of our operating performance. Similarly, we adjust for the non-cash effect of unrealized gains or losses on unconsolidated ventures. Our computation of MFFO may not be comparable to other REITs that do not calculate MFFO using the same method. MFFO is calculated using FFO. FFO, as defined by NAREIT, is a computation made by analysts and investors to measure a real estate company's operating performance.

The IPA's definition of MFFO excludes from FFO the following items: (i) acquisition fees and expenses; (ii) non-cash amounts related to straight-line rent and the amortization of above or below market and in-place intangible lease assets and liabilities (which are adjusted in order to reflect such payments from an accrual basis of accounting under U.S. GAAP to a cash basis of accounting); (iii) amortization of a premium and accretion of a discount on debt investments; (iv) non-recurring impairment of real estate-related investments that meet the specified criteria identified in the rules and regulations of the SEC; (v) realized gains (losses) from the early extinguishment of debt; (vi) realized gains (losses) on the extinguishment or sales of hedges, foreign exchange, securities and other derivative holdings except where the trading of such instruments is a fundamental attribute of our business; (vii) unrealized gains (losses) from fair value adjustments on real estate securities, including commercial mortgage backed securities ("CMBS") and other securities, interest rate swaps and other derivatives not deemed hedges and foreign exchange holdings; (viii) unrealized gains (losses) from the consolidation from, or deconsolidation to, equity accounting; (ix) adjustments related to contingent purchase price obligations; and (x) adjustments for consolidated and unconsolidated partnerships and joint ventures calculated to reflect MFFO on the same basis as above.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS (CONT.)

Certain of the above adjustments are also made to reconcile net income (loss) to net cash provided by (used in) operating activities, such as for the amortization of a premium and accretion of a discount on debt and securities investments, amortization of fees, any unrealized gains (losses) on derivatives, securities or other investments, as well as other adjustments.

MFFO excludes non-recurring impairment of real estate-related investments. We assess the credit quality of our investments and adequacy of reserves/impairment on a quarterly basis, or more frequently as necessary. Significant judgment is required in this analysis. With respect to debt investments, we consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the prospects for the borrower and the competitive situation of the region where the borrower does business. Fair value is typically estimated based on discounting expected future cash flow of the underlying collateral taking into consideration the discount rate, capitalization rate, occupancy, creditworthiness of major tenants and many other factors. This requires significant judgment and because it is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If the estimated fair value of the underlying collateral for the debt investment is less than its net carrying value, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. With respect to a real estate investment, a property's value is considered impaired if a triggering event is identified and our estimate of the aggregate future undiscounted cash flow to be generated by the property is less than the carrying value of the property. The value of our investments may be impaired and their carrying values may not be recoverable due to our limited life. Investors should note that while impairment charges are excluded from the calculation of MFFO, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flow and the relatively limited term of a non-traded REIT's anticipated operations, it could be difficult to recover any impairment charges through operational net revenues or cash flow prior to any liquidity event.

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance once our organization and offering and acquisition and development stages are complete, because it eliminates from net income non-cash fair value adjustments on our real estate securities and acquisition fees and expenses that are incurred as part of our investment activities. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we were to extend our acquisition and development stage or if we determined not to pursue an exit strategy.

However, MFFO does have certain limitations. For instance, the effect of any amortization or accretion on debt investments originated or acquired at a premium or discount, respectively, is not reported in MFFO. In addition, realized gains (losses) from acquisitions and dispositions and other adjustments listed above are not reported in MFFO, even though such realized gains (losses) and other adjustments could affect our operating performance and cash available for distribution. Stockholders should note that any cash gains generated from the sale of investments would generally be used to fund new investments. Any mark-to-market or fair value adjustments may be based on many factors, including current operational or individual property issues or general market or overall industry conditions.

Neither FFO nor MFFO is equivalent to net income (loss) or cash flow provided by operating activities determined in accordance with U.S. GAAP and should not be construed to be more relevant or accurate than the U.S. GAAP methodology in evaluating our operating performance. Neither FFO nor MFFO is necessarily indicative of cash flow available to fund our cash needs including our ability to make distributions to our stockholders. FFO and MFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Furthermore, neither FFO nor MFFO should be considered as an alternative to net income (loss) as an indicator of our operating performance.

COMPANY INFORMATION

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries, was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, which the Company defines as assisted living, memory care, skilled nursing, independent living facilities and continuing care retirement communities, which may have independent living, assisted living, skilled nursing and memory care available on one campus. The Company also invests in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company's investments are predominantly in the United States, but it also selectively makes international investments. The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

Shareholder Information

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