SUPPLEMENTAL FINANCIAL REPORT

For the Quarter Ended March 31, 2021

NorthStar
HEALTHCARE INCOME

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

NorthStar HEALTHCARE INCOME

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, 2020 and the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021; 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, 20120, the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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.

TABLE OF CONTENTS

NorthStar HEALTHCARE INCOME

I. COVID-19 PANDEMIC UPDATE

NorthStar HEALTHCARE INCOME

Our first priority continues to be the health and safety of the residents and staff at our communities. We remain focused on supporting our managers and operating partners.

Confirmed cases of COVID-19 amongst residents or staff has resulted in restrictions on admissions and limited inquiries and tours, significantly decreasing the number of move-ins and increasing move-outs. This has led to declines in revenues, increases in cost burdens and overall lower operating cash flows and financial results.

Operating Update

- Direct operating investments occupancy averaged 72.8 % in April 2021, an increase from 71.8% in March 2021.
- Approximately 85% of the communities within our direct operating investment have hosted on-site vaccination clinics, with resident acceptance rates exceeding 90%.
- During Q1 2021, our direct operating investments incurred $1.8 million of COVID-19 related expenses, a decline from $2.8 million incurred during Q4 2020.
- During Q1 2021, we recognized income totaling $7.4 million from grants received under the Provider Relief Fund administered by the U.S Department of Health & Human Services ("DHHS").

Continuing Impact

- The recovery from the impact of the COVID-19 pandemic on our operational and financial performance will depend on a variety of factors, which may differ considerably across regions and fluctuate over time.
- Recent guidance from state and local governments, including the easing of restrictions, the resumption of normal business operations in many municipalities, and lower reported infection rates are encouraging signs towards a recovery from the effects of the pandemic.
- Significant vaccine deployment and acceptance has begun to mitigate the number of confirmed COVID-19 cases, which in turn has helped to reduce preventative operating costs that continue to be incurred.
- Occupancy challenges are still anticipated until such time the rate of resident move-outs is outpaced by new resident admissions, for which the future trend remains uncertain.

II. OUR INVESTMENTS

NorthStar HEALTHCARE INCOME

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 an operator.

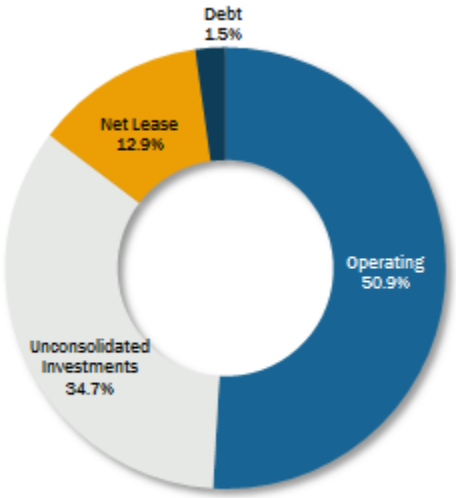
Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.

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

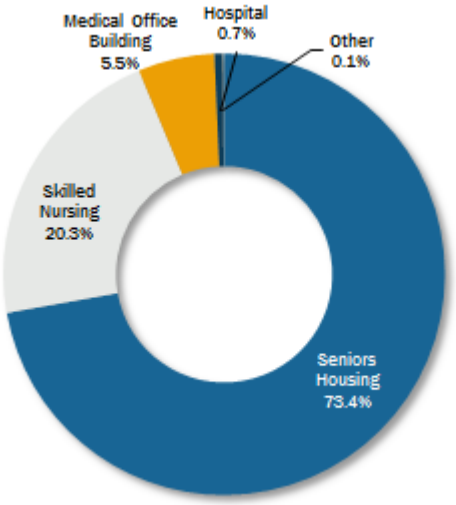
Debt Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate.

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

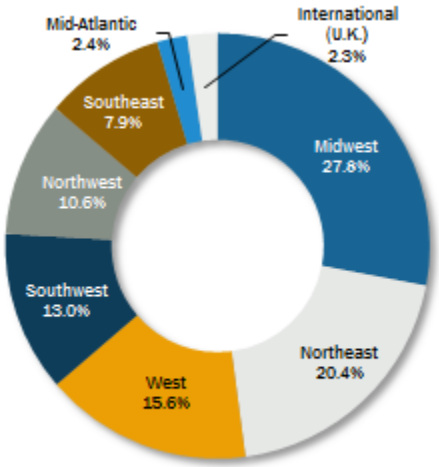
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of March 31, 2021. Property type classification based on predominant services provided, but may include other services.

II. OUR INVESTMENTS (CONT.)

NorthStar HEALTHCARE INCOME

($ 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 %
Smyrna (formerly 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	77,521	4	—	—	—	4	Southwest/Midwest	97.0 %
Avamere	99,438	5	—	—	—	5	Northwest	100.0 %
Oak Cottage	19,427	1	—	—	—	1	West	100.0 %
Subtotal	$1,677,803	61	—	—	—	61		
Unconsolidated Investments								
Diversified US/UK	$ 445,855	92	106	39	9	246	Various	14.3 %
Trilogy[5]	391,322	20	—	69	—	89	Various	23.2 %
Espresso	270,807	6	—	127	—	133	Various	36.7 %
Eclipse	37,291	42	—	9	—	51	Various	5.6 %
Solstice[6]	—	—	—	—	—	—	Various	20.0 %
Subtotal	$1,145,275	160	106	244	9	519		
Debt and Securities Investments								
Mezzanine Loan[7]	$ 49,409	—	—	—	—	—		
Total Investments	$3,298,148	232	106	244	9	591		

As of March 31, 2021. See 'Footnotes' in the Appendix.

III. BUSINESS & FINANCIAL HIGHLIGHTS Q1 2021

NorthStar HEALTHCARE INCOME

Consolidated Results	◦ GAAP net loss decreased $83.3M to a $10.2M loss in Q1 2021 as compared to a $93.5M loss in Q4 2020. ▪ Impairment losses recorded for our consolidated investments totaled $0.8 million in Q1 2021 compared to $74.5 million in Q4 2020. ◦ Modified Funds from Operations increased to $16.2 million in Q1 2021 as compared to $5.5 million in Q4 2020. ▪ We recognized income totaling $7.4 million from grants received under the Provider Relief Fund administered by DHHS in Q1 2021 as compared to $0.4 million in Q4 2020.
Direct Investments - Operating Result	◦ On a same store basis, rental and resident fee income, net of property operating expenses, decreased to $14.7 million in Q1 2021 as compared to $15.0 million in Q4 2020 as a result of the lower occupancy, primarily at our independent living facilities, or ILFs, due to the aforementioned financial effects of COVID-19. ▪ Our Winterfell portfolio's Q1 2021 average occupancy was 72.2%, a decrease from 74.9% in Q4 2020. ▪ Our operating portfolios managed by Watermark Retirement Communities had an overall average occupancy of 71.7% in Q1 2021, a decrease from 73.6% in Q4 2020.
Direct Investments - Net Lease Results	◦ Rental income totaled $6.9 million in Q1 2021 as compared to $8.4 million in Q4 2020. ◦ The operator of our Smyrna property failed to remit rent and no rental income was recorded in Q1 2021. ◦ The operator of our Arbors portfolio failed to remit rent and satisfy other lease conditions. Full contractual monthly rent obligations have been remitted through January 2021 and we have recorded rental income to the extent payments were received in Q1 2021. ◦ The operator of our Fountains portfolio remitted full contractual rent in Q1 2021. ▪ In April 2021, we executed a lease modification that allows the operator to defer up to $3.0 million of contractual rent payments over the remaining term of the lease, which will be forgiven at the expiration or earlier termination of the lease, subject to the satisfaction and compliance with certain terms and conditions of the lease modification.
Unconsolidated Investments Results	◦ Earnings have been impacted by the operational challenges presented by the COVID-19 pandemic. ◦ Equity in losses totaled $0.9 million in Q1 2021 as compared to income of $2.3 million in Q4 2020. ◦ Distributions continue to be limited by reinvestment and development in the Trilogy joint venture, operational declines in the Diversified US/UK and Eclipse joint ventures and debt repayments in the Espresso joint venture.

III. BUSINESS & FINANCIAL HIGHLIGHTS
Q1 2021 (CONT.)

NorthStar HEALTHCARE INCOME

Investment, Financing & Disposition Activity

- In January 2021, we refinanced an existing $18.7 million note payable, collateralized by a property within the Aqua portfolio, with a $26.0 million mortgage note payable. The new mortgage note carries a fixed interest rate of 3.0% through February 2024 and has an initial maturity date of February 2026.
- In March 2021, we executed the sale of a property within the Aqua portfolio for $22.0 million. The sale generated net proceeds of $0.9 million, after the repayment of the outstanding mortgage principal balance of $20.1 million and transaction costs.
- During Q1 2021, we received principal repayments on our mezzanine loan debt investment, which total $24.9 million. The borrower funded these principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.

Liquidity

- As of May 13, 2021, we had approximately $110.4 million of unrestricted cash.
- In response to the impact of COVID-19, we entered into forbearance agreements with lenders to defer contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Fountains portfolios.
  - We have resumed remitting debt service on these borrowings and the deferred debt service is scheduled to be repaid in full for all borrowings by January 2022.
  - As of May 13, 2021, deferred debt service outstanding totaled $4.1 million, which has increased payments and will put pressure on liquidity in future periods.

Subsequent Events

- From April 1, 2021 through May 13, 2021, we have received a total of $21.8 million of principal repayments on our mezzanine loan debt investment, which has reduced the outstanding principal balance to $27.7 million.
  - The borrower funded these principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.
- In April 2021, we extended the maturity date of a mortgage note payable for a property within the Rochester portfolio from August 2021 to August 2022 and made a $1.0 million principal repayment toward the outstanding principal balance.
  - With this extension, we have no upcoming debt maturities on direct investments for the remainder of 2021.
- In May 2021, we executed a purchase and sale agreement for the Smyrna net lease property with a sales price of $2.0 million.

IV. KEY PORTFOLIO METRICS

NorthStar HEALTHCARE INCOME

($ In thousands)

Key Metrics

(as of and for the quarter ended March 31, 2021)

Direct Investments:		Consolidated Debt:	
Net lease properties	11	Total borrowings	$ 1,450,661
Weighted average remaining lease term	7.1 years	Leverage as a % of adjusted assets[1]	61.6%
Operating properties	61	Repayment of mortgage notes[3]	$ 45,722
Weighted average occupancy	72.4%	Borrowings from line of credit[4]	$ 35,000
Gross asset amount[2]	$ 1,755,891		
Capital expenditures[3]	$ 2,416		

Operator / Manager Information:	Properties Managed	Units Under Management[5]	Property and Other Revenues[6]	% of Total Property and Other Revenues
Watermark Retirement Communities	29	5,049	$ 33,365	58.2 %
Solistice Senior Living[7]	32	4,000	24,079	42.0 %
Avamere Health Services	5	453	4,164	7.3 %
Arcadia Management[8]	4	572	(6,351)	(11.1)%
Integral Senior Living[9]	1	44	2,077	3.6 %
Senior Lifestyle Corporation[10]	1	63	—	— %
Total	**72**	**10,181**	**$ 57,334**	**100.0 %**

Select Financial Data	*Q1 2021*	*Q4 2020*	*Change*
Interest expense	$ 16,025	$ 16,400	$ *(375)*
Asset management and other fees - related party	2,769	3,877	*(1,108)*
General and administrative expenses	3,033	7,742	*(4,709)*

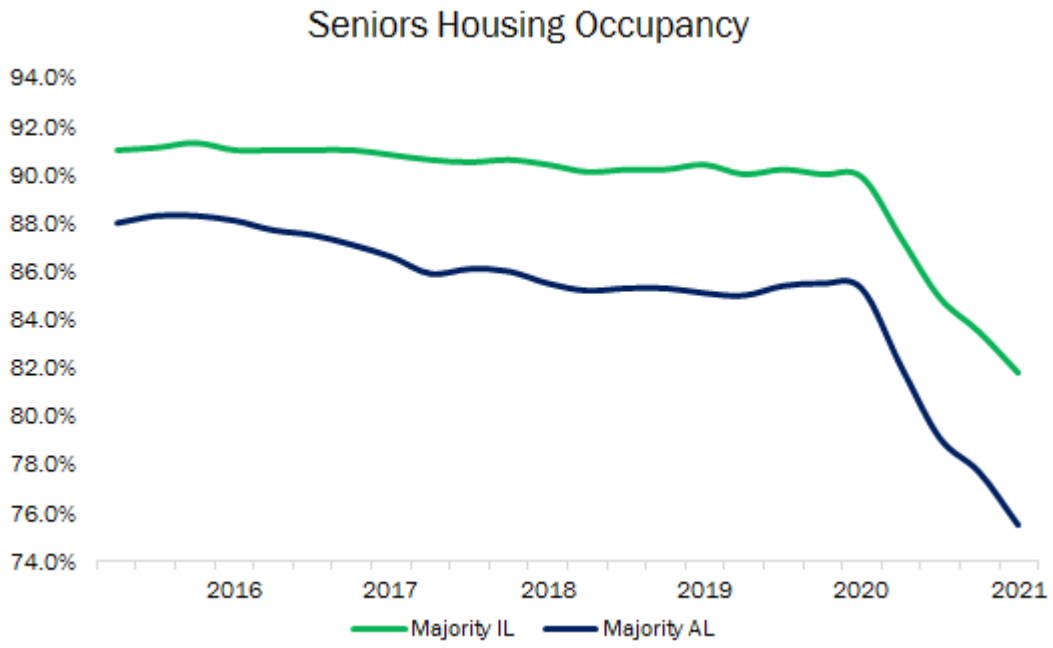
See “Footnotes” in the Appendix

V. HEALTHCARE MARKET UPDATE

NorthStar HEALTHCARE INCOME

Seniors Housing

- Seniors housing occupancy declined to 78.8% in Q1 2021 from 80.7% in Q4 2020
  - Seniors housing occupancy is now over 10% below its Q4 2014 peak of 90.2%
  - Independent Living ("IL"): declined to 81.8% (Q1 2021) from 83.5% (Q4 2020)
  - Assisted Living ("AL"): declined to 75.5% (Q1 2021) from 77.7% (Q4 2020)



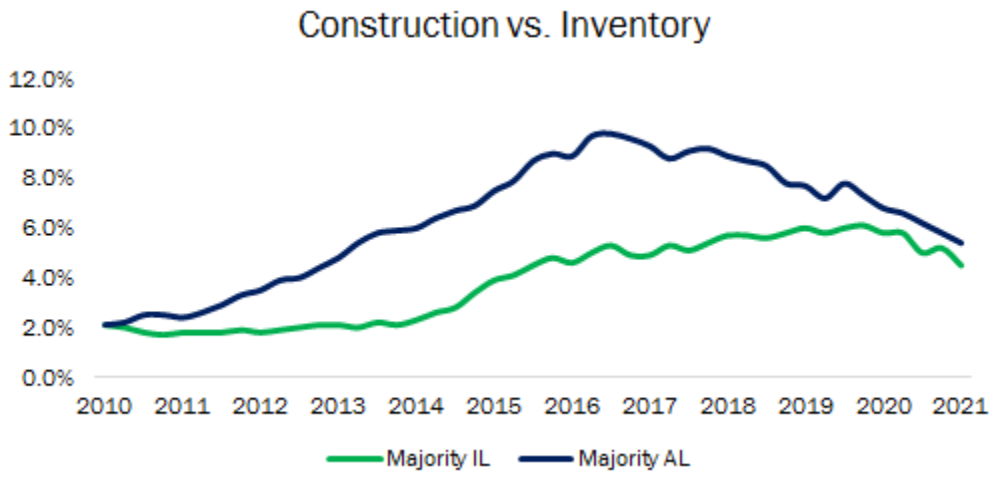
Source: National Investment Center for Seniors Housing & Care (NIC)

V. HEALTHCARE MARKET UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

Seniors Housing (cont.)

- An April 4, 2021 NIC survey reported:
  - Approximately 92% of residents and 63% of staff of the respective respondents have been fully vaccinated.
  - Over 44% of respondents with IL, AL and/or memory care reported that the pace of move-ins increased over the past 30 days.
  - Less than 12% of respondents reported a decrease in the pace of move-ins over the past 30 days.
- Seniors housing construction as a percentage of inventory remained elevated at 4.9% in Q1 2021.
  - IL: Units under construction decreased to 4.5% of inventory in Q1 2021, down from 5.2% in Q4 2020.
  - AL: Units under construction decreased to 5.4% of inventory in Q1 2021, the lowest rate since 2014 and down from the peak of 9.9% in 2017.
  - During Q1 2021, seniors housing inventory growth slowed to 2.8%.



Source: (NIC)

VI. APPENDIX

NorthStar
HEALTHCARE INCOME

CONSOLIDATED BALANCE SHEETS

NorthStar HEALTHCARE INCOME

(In thousands)

	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Cash and cash equivalents	$ 90,966	$ 65,995
Restricted cash	20,276	27,575
Operating real estate, net	1,457,397	1,483,930
Investments in unconsolidated ventures	221,944	229,173
Real estate debt investments, net	36,112	55,864
Assets held for sale	5,000	5,000
Receivables, net	7,277	14,735
Deferred costs and intangible assets, net	26,016	26,483
Other assets	17,367	9,681
Total assets	$ 1,882,355	$ 1,918,436
Liabilities		
Mortgage and other notes payable, net	$ 1,397,718	$ 1,416,871
Line of credit - related party	35,000	35,000
Due to related party	3,812	8,318
Escrow deposits payable	4,386	3,851
Accounts payable and accrued expenses	33,632	38,393
Other liabilities	3,938	3,941
Total liabilities	1,478,486	1,506,374
Commitments and contingencies (Note 14)		
Equity		
Preferred stock	—	—
Common stock	1,910	1,904
Additional paid-in capital	1,712,563	1,710,023
Retained earnings (accumulated deficit)	(1,313,218)	(1,302,755)
Accumulated other comprehensive income (loss)	(7)	467
Equity before NCI	401,248	409,639
Non-controlling interests	2,621	2,423
Total equity	403,869	412,062
Total liabilities and equity	$ 1,882,355	$ 1,918,436

CONSOLIDATED STATEMENTS OF OPERATIONS

NorthStar HEALTHCARE INCOME

(In thousands, except per share data)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Property and other revenues		
Resident fee income	$ 28,282	$ 32,847
Rental income	29,051	39,980
Other revenue and income	1	64
Total property and other revenues	57,334	72,891
Net interest income		
Interest income on debt investments	2,213	1,905
Expenses		
Real estate properties - operating expenses	45,618	45,701
Interest expense	16,025	16,679
Transaction costs	54	7
Asset management and other fees - related party	2,769	4,431
General and administrative expenses	3,033	3,029
Depreciation and amortization	15,387	16,489
Impairment loss	786	—
Total expenses	83,672	86,336
Other income (loss)		
Other income	7,360	—
Realized gain (loss) on investments and other	7,515	—
Income (loss) before earnings of unconsolidated ventures and income taxes	(9,250)	(11,540)
Equity in earnings (losses) of unconsolidated ventures	(890)	(993)
Income tax expense	(15)	(14)
Net income (loss)	(10,155)	(12,547)
Net (income) loss attributable to non-controlling interests	(308)	66
Net income (loss) attributable to common stockholders	$ (10,463)	$ (12,481)
Net income (loss) per share of common stock, basic/diluted	$ (0.05)	$ (0.07)
Weighted average number of shares of common stock outstanding	190,630,723	189,038,484
Distributions declared per share of common stock	$ —	$ —

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

	Three Months Ended March 31,	
	2021	2020
Funds from operations:		
Net income (loss) attributable to NHI	$ (10,463)	$ (12,481)
Adjustments:		
Depreciation and amortization	15,387	16,489
Depreciation and amortization related to non-controlling interests	(145)	(161)
Depreciation and amortization related to unconsolidated ventures	7,808	8,187
Realized (gain) loss from sales of property	(7,528)	—
Realized gain (loss) from sales of property related to non-controlling interests	226	—
Realized (gain) loss from sales of property related to unconsolidated ventures	(6,522)	—
Impairment losses of depreciable real estate	786	—
Impairment losses of depreciable real estate held by unconsolidated ventures	—	362
Funds from operations attributable to NHI	$ (451)	$ 12,396
Modified funds from operations:		
Funds from operations attributable to NHI	$ (451)	$ 12,396
Adjustments:		
Acquisition fees and transaction costs	54	7
Straight-line rental (income) loss	7,639	11
Amortization of premiums, discounts and fees on investments and borrowings	1,152	1,238
Realized (gain) loss on investments and other	13	—
Adjustments related to unconsolidated ventures	7,758	3,259
Adjustments related to non-controlling interests	(14)	(12)
Modified funds from operations attributable to NHI	$ 16,151	$ 16,899

SEGMENT INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

Three Months Ended March 31, 2021	Direct Investments					
	Net Lease	Operating	Unconsolidated Investments	Debt	Corporate	Total
Property and other revenues	$ (776)	$ 58,109	$ —	$ —	$ 1	$ 57,334
Interest income on debt investments	—	—	—	2,213	—	2,213
Real estate properties - operating expenses	(25)	(45,593)	—	—	—	(45,618)
Interest expense	(2,873)	(12,835)	—	—	(317)	(16,025)
Transaction costs	—	(54)	—	—	—	(54)
Asset management and other fees - related party	—	—	—	—	(2,769)	(2,769)
General and administrative expenses	(41)	—	—	—	(2,992)	(3,033)
Depreciation and amortization	(3,854)	(11,533)	—	—	—	(15,387)
Impairment loss	(786)	—	—	—	—	(786)
Other income	—	7,360	—	—	—	7,360
Realized gain (loss) on investments and other	—	7,515	—	—	—	7,515
Equity in earnings (losses) of unconsolidated ventures	—	—	(890)	—	—	(890)
Income tax expense	—	(15)	—	—	—	(15)
Net income (loss)	$ (8,355)	$ 2,954	$ (890)	$ 2,213	$ (6,077)	$ (10,155)

Three Months Ended March 31, 2020	Direct Investments					
	Net Lease	Operating	Unconsolidated Investments	Debt	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)

FOOTNOTES

NorthStar HEALTHCARE INCOME

Page 6 – Our Investments

1. Classification based on predominant services provided, but may include other services.
2. Excludes properties held for sale.
3. 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 the Company, 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, 2021, our leverage was 61.6% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation.
2. Represents cost basis for operating real estate, net of accumulated impairment.
3. Represents cash used for repayments of mortgage notes and capital expenditures for operating real estate investments for the year ended March 31, 2021.
4. Represents borrowing under our revolving line of credit from an affiliate of our Sponsor, which carries an interest rate of 3.5% plus LIBOR.
5. Represents rooms for AL and IL facilities and beds for MC and skilled nursing facilities, based on predominant type.
6. 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.
7. Solstice is a joint venture of which affiliates of ISL own 80%.
8. During the three months ended March 31, 2021, we recorded lease income to the extent lease payments were received. Lease income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of rent under the lease was deemed not to be probable.
9. Property count and units excludes two ISL properties designated as held for sale as of March 31, 2021.
10. Operator has failed to remit rent and comply with other contractual terms of its lease agreement, which resulted in a default under the operator's lease for the three months ended March 31, 2021.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS

NorthStar HEALTHCARE INCOME

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.)

NorthStar HEALTHCARE INCOME

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

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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