SUPPLEMENTAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2020

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; 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, 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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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. Additionally, we remain focused on supporting our managers and operating partners. Our managers and operators have reported the vast majority of communities in our direct and unconsolidated investments have experienced confirmed cases of COVID-19 amongst residents or staff. The incidences of confirmed cases in our portfolio may continue and could accelerate depending on the duration, scope and impact of the COVID-19 pandemic.

Direct Investments – Operating

- Occupancy across our direct investments was 71.8% as of March 18, 2021, a 9.4% decline since March 31, 2020. We anticipate that our occupancy will continue to be impacted by restrictions on admissions and limited inquiries and tours, which have significantly decreased the number of move-ins at our direct investments.
- We have not experienced significant issues collecting rents or other fees from residents as a result of COVID-19.
- The communities in our direct investments have incurred additional operating expenses in response to COVID-19. Through December 31, 2020, increased labor hours and wages along with additional personal protective equipment expense totaled $9.9 million. We expect these expenses to continue to be incurred.
- To mitigate the negative financial impact of the COVID-19 pandemic, we applied for grants under the Provider Relief Fund administered by the U.S Department of Health & Human Services. During the year ended December 31, 2020, we recognized $1.8 million of COVID-19 provider relief grant income. Provided that we attest to and comply with certain terms and conditions of the grants, we will not be required to repay these grants in the future.

Direct Investments – Net Lease

- The tenant of our Arbors net lease portfolio has paid full contractual rent through December 2020.
- Effective June 1, 2020, we granted a lease concession to the operator of our Fountains net lease portfolio, which allowed the operator to defer a portion of contractual rent payments for a 90-day period, with full contractual rent to be repaid over the 12 months following the concession period. The lease concession provided the operator relief consistent with the debt forbearance received from the lender of the properties in the portfolio. The amount of the deferred rental payments under the lease concession totaled $3.9 million. The lease concession period ended on August 31, 2020 and the operator has resumed remitting contractual rent payments, including amounts related to deferred rent granted under the lease concession.

I. COVID-19 PANDEMIC UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

Liquidity

- As of March 18, 2021, we had approximately $95.7 million of unrestricted cash.
- We are actively managing liquidity and capital needs and have taken the following actions in response to the uncertainty surrounding the financial impact of COVID-19:
  - In April 2020, we borrowed $35.0 million under our revolving line of credit from an affiliate of our sponsor, Colony Capital, Inc. (NYSE: CLNY) (the "Sponsor").
  - Effective April 30, 2020, we suspended all repurchases of shares under our share repurchase program.
  - We entered into forbearance agreements to defer contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Fountains portfolios. The deferred debt service, must be repaid over the 12 months following the forbearance period. We have resumed remitting debt service on these borrowings, and as of March 18, 2021, deferred debt service outstanding totaled $5.3 million.
  - At the onset of the pandemic, we limited capital expenditures of our operating real estate to life safety and essential projects and have now begun selectively approving additional improvements.

Continuing Impact

- We expect that the effects of the pandemic will continue to materially impact our revenues, expenses and cash flow. Future impact on our operational and financial performance will depend on a variety of factors, including:
  - the availability and effective distribution of vaccines for the virus;
  - the rate of acceptance of available vaccines for residents, staff and the general public; and
  - the extent and timing of government restrictions being scaled back and lifted.
- Our communities have begun hosting clinics to administer the COVID-19 vaccine. Within our direct investments, the rate of acceptance amongst residents has exceeded 90% and our managers and operators continue to educate and encourage participation amongst their staff.
- Decreases in infection and transmission rates within our communities will help to reduce preventative operating costs that continue to be incurred.
- We continue to see demand and lead generation for our communities and remain optimistic on the long-term outlook for the seniors housing industry.

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.

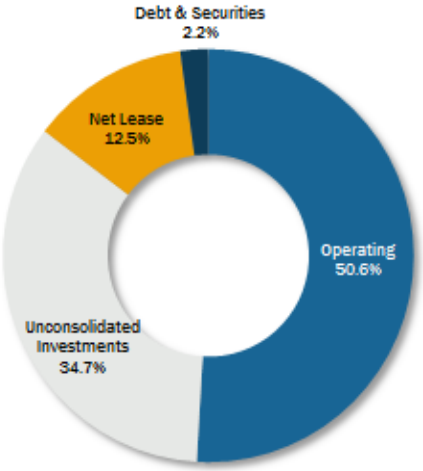
Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.

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.

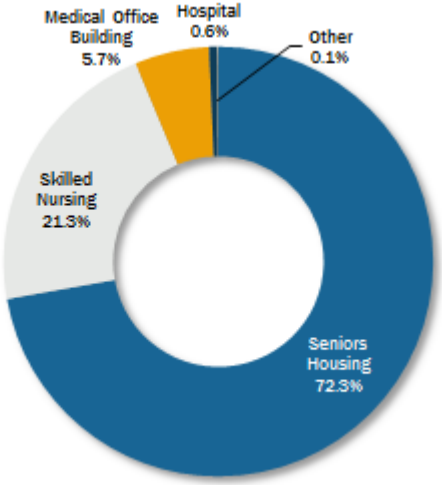
Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities backed primarily by loans secured by healthcare properties.

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

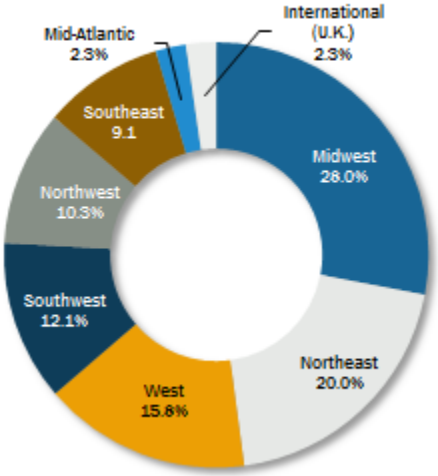
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of December 31, 2020. 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	116,216	5	—	—	—	5	Midwest	97.0 %
Avamere	99,438	5	—	—	—	5	Northwest	100.0 %
Oak Cottage	19,427	1	—	—	—	1	West	100.0 %
Subtotal	$1,716,498	62	—	—	—	62		
Unconsolidated Investments								
Diversified US/UK (formerly Griffin-American)	$ 454,154	92	108	40	9	249	Various	14.3 %
Trilogy[5]	367,096	15	—	67	—	82	Various	23.2 %
Espresso	317,166	6	—	148	—	154	Various	36.7 %
Eclipse	37,291	42	—	9	—	51	Various	5.6 %
Solstice[6]	—	—	—	—	—	—	Various	20.0 %
Subtotal	$1,175,707	155	108	264	9	536		
Debt and Securities Investments								
Mezzanine Loan[7]	$ 74,182	—	—	—	—	—		
Total Investments	$3,392,048	228	108	264	9	609		

As of December 2020. See 'Footnotes' in the Appendix.

III. BUSINESS DEVELOPMENTS & PORTFOLIO HIGHLIGHTS – YEAR ENDED 2020

NorthStar HEALTHCARE INCOME

Business & Financial

- GAAP net loss increased $186.4M to an $264.2M loss for the year ended December 31, 2020 as compared to a $77.8M loss for the year ended December 31, 2019, primarily due to the following:
  - Impairment losses recorded for our consolidated investments totaled $166.0 million in 2020 compared to $27.6 million in 2019; and
  - Impairment losses recorded by the underlying joint ventures of our unconsolidated investments, of which our proportionate share totaled $38.2 million in 2020 compared to $2.7 million in 2019.
- On a same store basis, our direct operating investments generated rental and resident fee income, net of property operating expenses, of $68.0 million as compared to $76.6 million for the year ended December 31 2019, as a result of the following:
  - Lower occupancy, due to restrictions on admissions and limited inquiries and tours resulting from COVID-19, which have significantly decreased the number of resident move-ins; and
  - $9.9 million of COVID-19 related expenses incurred for the year ended December 31, 2020,
  - partially offset by $1.8 million of COVID-19 provider relief grant income.
- Our Winterfell portfolio's average occupancy was 76.6% for the year ended December 31, 2020, a decrease from 79.8% for the year ended December 31, 2019.
- Our operating portfolios managed by Watermark Retirement Communities had an overall average occupancy of 77.6% for the year ended December 31, 2020, a decrease from 83.5% for the year ended December 31, 2019.
- Earnings of our unconsolidated investment portfolios decreased due to operational challenges presented by the COVID-19 pandemic similar to those experienced by our direct operating investments.
- Distributions from our unconsolidated investments continue to be limited by reinvestment and development in the Trilogy and Diversified US/UK (formerly Griffin-American) joint ventures and working capital needs for the Espresso joint venture, which have and will likely continue to negatively impacted our liquidity position.
- Modified Funds from Operations decreased to $46.7 million for the year ended December 31, 2020 as compared to $58.7 million for the year ended December 31, 2019, primarily due to the significant impact of COVID-19 on our operations, partially offset by a reduction in asset management fees and interest expense.

IV. KEY PORTFOLIO METRICS

NorthStar HEALTHCARE INCOME

($ In thousands)

Key Metrics

(as of and for the year ended December 31, 2020)

Direct Investments:		Consolidated Debt:	
Net lease properties	11	Total borrowings	$ 1,470,384
Weighted average remaining lease term	7.1 years	Leverage as a % of adjusted assets[1]	61.3%
Operating properties	62	Repayment of mortgage notes[3]	$ 20,250
Weighted average occupancy	77.4%	Borrowings from line of credit - related party[4]	$ 35,000
Gross asset amount[2]	$ 1,774,971		
Capital expenditures[3]	$ 15,214		

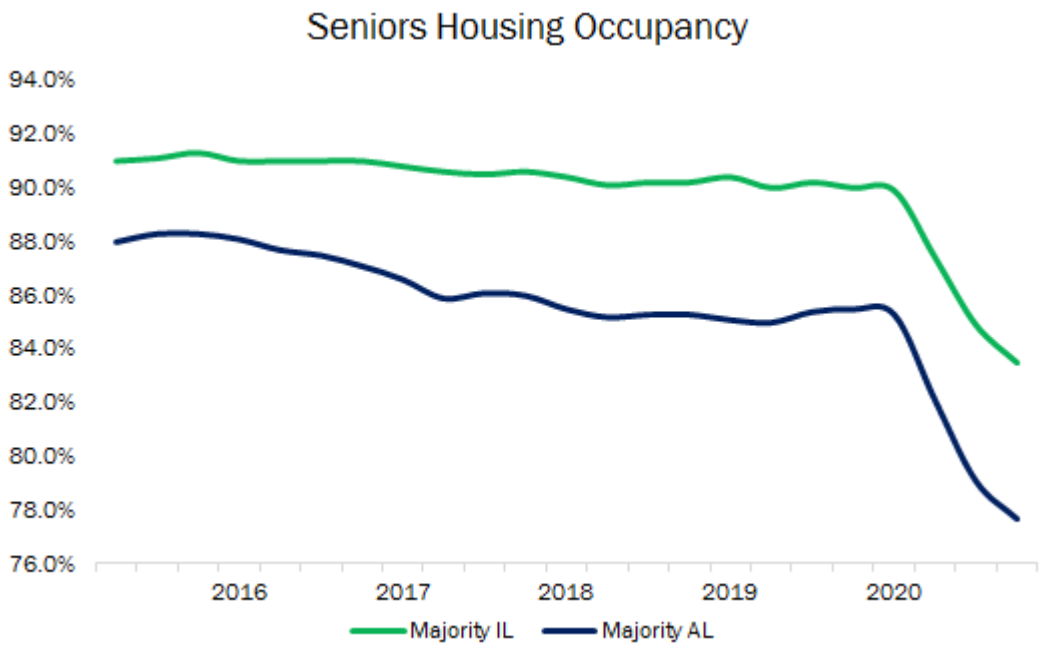
Operator / Tenant Information:	Properties Managed	Units Under Management[5]	Property and Other Revenues[6]	% of Total Property and Other Revenues
Watermark Retirement Communities	30	5,265	$ 138,708	50.3 %
Solistice Senior Living[7]	32	4,000	101,054	36.7 %
Avamere Health Services	5	453	17,367	6.3 %
Arcadia Management	4	572	10,615	3.9 %
Integral Senior Living[8]	1	44	7,405	2.7 %
Senior Lifestyle Corporation[9]	1	63	—	— %
Other[10]	—	—	199	0.1 %
Total	73	10,397	$ 275,348	100.0 %

See “Footnotes” in the Appendix

V. HEALTHCARE MARKET UPDATE

NorthStar HEALTHCARE INCOME

- Seniors housing occupancy declined to 80.7% in Q4 2020 from 82.1% in Q3 2020
  - Seniors housing occupancy is now 950 bps below Q4 2014 peak of 90.2%
  - Independent Living ("IL"): declined to 83.5% (Q4 2020) from 84.9% (Q3 2020)
  - Assisted Living ("AL"): declined to 77.7% (Q4 2020) from 79.1% (Q3 2020)
  - Skilled Nursing: declined 75.3% (Q4 2020) from 76.0% (Q3 2020)



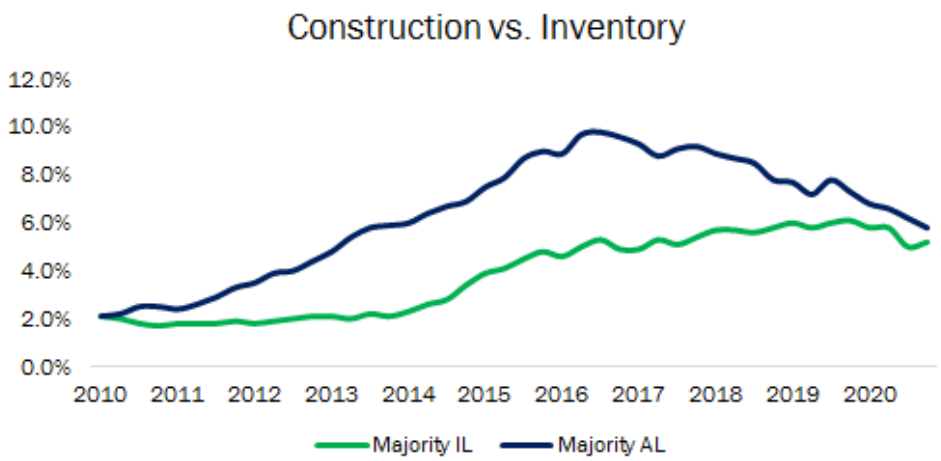
Source: National Investment Center for Seniors Housing & Care (NIC)

V. HEALTHCARE MARKET UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

Seniors Housing (cont.)

- As of March 11, 2021, a NIC survey reported:
  - Approximately 80% of residents and 55% of staff of the respective respondents have been fully vaccinated.
  - Over 40% of respondents with IL, AL and/or memory care reported that the pace of move-ins increased over the past 30 days.
  - Less than 20% of respondents reported a decrease in pace of move-ins over the past 30 days.
- Seniors housing construction as a percentage of inventory remained elevated at 5.5% in Q4 2020.
  - IL: Units under construction increased to 5.2% of inventory in Q4 2020, up from 5.0% in Q3 2020.
  - AL: Units under construction decreased to 5.8% of inventory in Q4 2020, the lowest rate since 2014 and down from the peak of 9.9% in 2017.
  - During Q4 2020, new supply decelerated to the lowest level since Q1 2019.



Source: (NIC)

VI. APPENDIX

NorthStar
HEALTHCARE INCOME

CONSOLIDATED BALANCE SHEETS

NorthStar HEALTHCARE INCOME

(In thousands)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 65,995	$ 41,884
Restricted cash	27,575	16,936
Operating real estate, net	1,483,930	1,700,218
Investments in unconsolidated ventures	229,173	268,894
Real estate debt investments, net	55,864	55,468
Assets held for sale	5,000	1,649
Receivables, net	14,735	13,314
Deferred costs and intangible assets, net	26,483	28,355
Other assets	9,681	14,489
Total assets	$ 1,918,436	$ 2,141,207
Liabilities		
Mortgage and other notes payable, net	$ 1,416,871	$ 1,431,922
Line of credit - related party	35,000	—
Due to related party	8,318	5,780
Escrow deposits payable	3,851	3,292
Accounts payable and accrued expenses	38,393	28,135
Other liabilities	3,941	4,574
Total liabilities	1,506,374	1,473,703
Commitments and contingencies (Note 14)		
Equity		
NorthStar Healthcare Income, Inc. Stockholders' Equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 190,409,341 and 189,111,561 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	1,904	1,891
Additional paid-in capital	1,710,023	1,702,260
Retained earnings (accumulated deficit)	(1,302,755)	(1,041,297)
Accumulated other comprehensive income (loss)	467	(470)
Total NorthStar Healthcare Income, Inc. stockholders' equity	409,639	662,384
Non-controlling interests	2,423	5,120
Total equity	412,062	667,504
Total liabilities and equity	$ 1,918,436	$ 2,141,207

CONSOLIDATED STATEMENTS OF OPERATIONS

NorthStar HEALTHCARE INCOME

(In thousands, except per share data)

	Year Ended December 31,		
	2020	2019	2018
Property and other revenues			
Resident fee income	$ 118,126	$ 130,135	$ 129,855
Rental income	157,024	161,084	159,481
Other revenue and income	198	1,959	4,935
Total property and other revenues	275,348	293,178	294,271
Net interest income			
Interest income on debt investments	7,674	7,703	7,706
Interest income on mortgage loans held in a securitized trust	—	—	5,149
Interest expense on mortgage obligations issued by a securitization trust	—	—	(3,824)
Net interest income	7,674	7,703	9,031
Expenses			
Real estate properties - operating expenses	184,178	181,214	188,761
Interest expense	65,991	68,896	70,196
Other expenses related to securitization trust	—	—	811
Transaction costs	65	122	888
Asset management and other fees - related party	17,170	19,789	23,478
General and administrative expenses	16,505	12,761	14,390
Depreciation and amortization	65,006	70,989	107,133
Impairment loss	165,968	27,554	36,277
Total expenses	514,883	381,325	441,934
Other income (loss)			
Other income	1,840	—	—
Realized gain (loss) on investments and other	302	6,314	20,243
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	(229,719)	(74,130)	(118,389)
Equity in earnings (losses) of unconsolidated ventures	(34,466)	(3,545)	(33,517)
Income tax expense	(53)	(75)	(114)
Net income (loss)	(264,238)	(77,750)	(152,020)
Net (income) loss attributable to non-controlling interests	2,780	790	442
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (261,458)	$ (76,960)	$ (151,578)
Net income (loss) per share of common stock, basic/diluted	$ (1.38)	$ (0.41)	$ (0.81)
Weighted average number of shares of common stock outstanding, basic/diluted	189,573,204	189,054,270	187,501,302
Distributions declared per share of common stock	$ —	$ 0.03	$ 0.34

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

	Year Ended December 31,		
	2020	2019	2018
Funds from operations:			
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (261,458)	$ (76,960)	$ (151,578)
Adjustments:			
Depreciation and amortization	65,006	70,989	107,133
Depreciation and amortization related to non-controlling interests	(647)	(635)	(779)
Impairment loss on real estate related to non-controlling interests	(2,253)	(585)	(62)
Realized gain (loss) from sales of property related to non-controlling interests	—	—	2
Depreciation and amortization related to unconsolidated ventures	31,999	31,892	32,877
Impairment losses of depreciable real estate held by unconsolidated ventures	37,893	2,663	22,568
Realized (gain) loss from sales of property related to unconsolidated ventures	(320)	(4,065)	1,446
Impairment losses of depreciable real estate	165,968	27,554	35,552
Realized (gain) loss from sales of property	—	(6,104)	(14,148)
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	36,188	44,749	$ 33,011
Modified funds from operations:			
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 36,188	$ 44,749	$ 33,011
Adjustments:			
Acquisition fees and transaction costs	65	122	878
Straight-line rental (income) loss	441	(467)	440
Amortization of premiums, discounts and fees on investments and borrowings	4,975	4,914	4,903
Amortization of discounts on healthcare-related securities	—	—	314
Adjustments related to unconsolidated ventures	5,406	10,075	12,185
Adjustments related to non-controlling interests	(48)	(25)	13
Realized (gain) loss on investments and other	(302)	(679)	(6,094)
Impairment of assets other than real estate	—	—	725
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 46,725	$ 58,689	$ 46,375

See ‘Footnotes’ in the Appendix.

QUARTERLY FINANCIAL INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands, except per share data) (Unaudited)

	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Property and other revenues	$ 66,841	$ 67,755	$ 69,308	$ 72,891
Net interest income	1,936	1,927	1,906	1,905
Real estate properties - operating expenses	46,648	46,501	45,328	45,701
Impairment loss	74,531	—	91,437	—
Expenses	165,333	86,782	176,432	86,336
Equity in earnings (losses) of unconsolidated ventures	2,333	(1,043)	(34,763)	(993)
Net income (loss)	(93,538)	(18,158)	(139,995)	(12,547)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(91,709)	(17,987)	(139,281)	(12,481)
Net income (loss) per share of common stock, basic/diluted	$ (0.48)	$ (0.09)	$ (0.74)	$ (0.07)

See ‘Footnotes’ in the Appendix.

SEGMENT INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

Year Ended December 31, 2020	Direct Investments		Unconsolidated Investments	Debt and Securities	Corporate	Total
	Net Lease	Operating				
Property and other revenues	$ 32,899	$ 242,250	$ —	$ —	$ 199	$ 275,348
Interest income on debt investments	—	—	—	7,674	—	7,674
Real estate properties - operating expenses	(13)	(184,165)	—	—	—	(184,178)
Interest expense	(11,832)	(53,210)	—	—	(949)	(65,991)
Transaction costs	(58)	(7)	—	—	—	(65)
Asset management and other fees - related party	—	—	—	—	(17,170)	(17,170)
General and administrative expenses	(804)	(296)	—	(19)	(15,386)	(16,505)
Depreciation and amortization	(14,940)	(50,066)	—	—	—	(65,006)
Impairment loss	(722)	(165,246)	—	—	—	(165,968)
Other income	—	1,840	—	—	—	1,840
Realized gain (loss) on investments and other	—	(13)	—	—	315	302
Equity in earnings (losses) of unconsolidated ventures	—	—	(34,466)	—	—	(34,466)
Income tax expense	—	(53)	—	—	—	(53)
Net income (loss)	$ 4,530	$ (208,966)	$ (34,466)	$ 7,655	$ (32,991)	$ (264,238)

See ‘Footnotes’ in the Appendix.

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. 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 December 31, 2020, our leverage was 61.3% 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 December 31, 2020.
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. Property count and units excludes two ISL properties designated as held for sale as of December 31, 2020.
9. Operator has failed to remit rent timely and comply with other contractual terms of its lease agreement, which resulted in a default under the operator's lease for the year ended December 31, 2020.
10. Consists primarily of interest income earned on corporate-level cash accounts.

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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