UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2022

or

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

Commission File Number: 000-55190

NORTHSTAR HEALTHCARE INCOME, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**27-3663988**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

4350 East West Highway, Suite 1050, Bethesda, MD 20814
(Address of Principal Executive Offices, Including Zip Code)

(240) 479-7115
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**None**	**None**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
			Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

The Company has one class of common stock, $0.01 par value per share, 194,037,776 shares outstanding as of May 12, 2022.

NORTHSTAR HEALTHCARE INCOME, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “project,” “predict,” “continue,” “future” or other similar words or expressions. Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Such statements include, but are not limited to, those relating to our ability to make distributions to our stockholders, our reliance on our Advisor and our Sponsor (each, as defined below), the operating performance of our investments, our financing needs, the effects of our current strategies and investment activities and our ability to effectively deploy capital. Our ability to predict results or the actual effect of plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements and you should not unduly rely on these statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from those forward-looking statements.

All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us on the date hereof and we are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

Factors that could have a material adverse effect on our operations and future prospects are set forth in our filings with the U.S. Securities and Exchange Commission, or the SEC, including Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading “Risk Factors.” The risk factors set forth in our filings with the SEC could cause our actual results to differ significantly from those contained in any forward-looking statement contained in this report.

PART I—Financial Information

Item 1. Financial Statements

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Data)

	March 31, 2022 (Unaudited)	December 31, 2021
Assets		
Cash and cash equivalents	$ 191,228	$ 200,473
Restricted cash	9,286	10,465
Operating real estate, net	965,489	972,599
Investments in unconsolidated ventures	207,435	212,309
Receivables, net	2,106	3,666
Intangible assets, net	2,506	2,590
Other assets	12,749	10,771
Total assets[(1)]	$ 1,390,799	$ 1,412,873
Liabilities		
Mortgage and other notes payable, net	$ 926,598	$ 929,811
Due to related party	4,141	7,338
Escrow deposits payable	1,466	1,171
Accounts payable and accrued expenses	19,317	24,671
Other liabilities	3,253	3,064
Total liabilities[(1)]	954,775	966,055
Commitments and contingencies (Note 12)		
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 March 31, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 193,818,780 and 193,120,940 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	1,937	1,930
Additional paid-in capital	1,723,456	1,720,719
Retained earnings (accumulated deficit)	(1,290,624)	(1,277,688)
Accumulated other comprehensive income (loss)	(1,054)	(486)
Total NorthStar Healthcare Income, Inc. stockholders' equity	433,715	444,475
Non-controlling interests	2,309	2,343
Total equity	436,024	446,818
Total liabilities and equity	$ 1,390,799	$ 1,412,873

(1) Represents the consolidated assets and liabilities of NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which NorthStar Healthcare Income, Inc. (together with its consolidated subsidiaries, the "Company") is the sole general partner and owns approximately 99.99%. As of March 31, 2022, the Operating Partnership includes $233.2 million and $180.0 million of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 2, "Summary of Significant Accounting Policies."

Refer to accompanying notes to consolidated financial statements (unaudited).

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Property and other revenues		
Resident fee income	$ 10,755	$ 28,282
Rental income	32,559	29,051
Other revenue	18	1
Total property and other revenues	43,332	57,334
Interest income		
Interest income on debt investments	—	2,213
Expenses		
Property operating expenses	32,894	45,618
Interest expense	10,309	16,025
Transaction costs	—	54
Asset management fees - related party	2,647	2,769
General and administrative expenses	3,686	3,033
Depreciation and amortization	9,923	15,387
Impairment loss	—	786
Total expenses	59,459	83,672
Other income (loss)		
Other income, net	72	7,360
Realized gain (loss) on investments and other	587	7,515
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	(15,468)	(9,250)
Equity in earnings (losses) of unconsolidated ventures	2,502	(890)
Income tax expense	(15)	(15)
Net income (loss)	(12,981)	(10,155)
Net (income) loss attributable to non-controlling interests	45	(308)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (12,936)	$ (10,463)
Net income (loss) per share of common stock, basic/diluted	$ (0.07)	$ (0.05)
Weighted average number of shares of common stock outstanding, basic/diluted (1)	193,368,486	190,630,723
Distributions declared per share of common stock	$ —	$ —

(1) The Company issued 66,840 restricted stock units in June 2021. The impact of the restricted stock units on the diluted earnings per share calculation is de minimis for the three months ended March 31, 2022.

Refer to accompanying notes to consolidated financial statements (unaudited).

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Net income (loss)	$ (12,981)	$ (10,155)
Other comprehensive income (loss)		
Foreign currency translation adjustments related to investment in unconsolidated venture	(568)	(474)
Total other comprehensive income (loss)	(568)	(474)
Comprehensive income (loss)	(13,549)	(10,629)
Comprehensive (income) loss attributable to non-controlling interests	45	(308)
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (13,504)	$ (10,937)

Refer to accompanying notes to consolidated financial statements (unaudited).

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars and Shares in Thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount						
Balance as of December 31, 2020	190,409	$ 1,904	$ 1,710,023	$ (1,302,755)	$ 467	$ 409,639	$ 2,423	$ 412,062
Share-based payment of advisor asset management fees	643	6	2,494	—	—	2,500	—	2,500
Amortization of equity-based compensation	—	—	46		—	46	—	46
Non-controlling interests - contributions	—	—	—	—	—	—	240	240
Non-controlling interests - distributions	—	—	—	—	—	—	(350)	(350)
Other comprehensive income (loss)	—	—	—	—	(474)	(474)	—	(474)
Net income (loss)	—	—	—	(10,463)	—	(10,463)	308	(10,155)
Balance as of March 31, 2021 (Unaudited)	191,052	$ 1,910	$ 1,712,563	$ (1,313,218)	$ (7)	$ 401,248	$ 2,621	$ 403,869
Balance as of December 31, 2021	193,121	$ 1,930	$ 1,720,719	$ (1,277,688)	$ (486)	$ 444,475	$ 2,343	$ 446,818
Share-based payment of advisor asset management fees	698	7	2,722	—	—	2,729	—	2,729
Amortization of equity-based compensation	—	—	15	—	—	15	—	15
Non-controlling interests - contributions	—	—	—	—	—	—	64	64
Non-controlling interests - distributions	—	—	—	—	—	—	(53)	(53)
Other comprehensive income (loss)	—	—	—	—	(568)	(568)	—	(568)
Net income (loss)	—	—	—	(12,936)	—	(12,936)	(45)	(12,981)
Balance as of March 31, 2022 (Unaudited)	193,819	$ 1,937	$ 1,723,456	$ (1,290,624)	$ (1,054)	$ 433,715	$ 2,309	$ 436,024

Refer to accompanying notes to consolidated financial statements (unaudited).

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ (12,981)	$ (10,155)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Equity in (earnings) losses of unconsolidated ventures	(2,502)	890
Depreciation and amortization	9,923	15,387
Impairment loss	—	786
Amortization of below market debt	804	784
Straight-line rental (income) loss, net	—	7,639
Amortization of discount/accretion of premium on investments	—	(112)
Amortization of deferred financing costs	154	147
Amortization of equity-based compensation	48	46
Paid-in-kind interest on real estate debt investment	—	(105)
Realized (gain) loss on investments and other	(587)	(7,515)
Change in allowance for uncollectible accounts	58	653
Issuance of common stock as payment for asset management fees	2,647	2,500
Changes in assets and liabilities:		
Receivables	1,502	(833)
Other assets	(1,665)	(7,686)
Due to related party	(3,115)	(4,506)
Escrow deposits payable	295	535
Accounts payable and accrued expenses	(5,751)	(5,336)
Other liabilities	327	221
Net cash (used in) provided by operating activities	(10,843)	(6,660)
Cash flows from investing activities:		
Capital expenditures for operating real estate	(2,337)	(2,416)
Sales of operating real estate	—	21,258
Repayment of real estate debt investment	—	24,878
Investments in unconsolidated ventures	—	(250)
Distributions from unconsolidated ventures	7,053	859
Real estate debt investment modification fee	—	346
Net cash provided by (used in) investing activities	4,716	44,675
Cash flows from financing activities:		
Borrowings from mortgage notes	—	26,000
Repayments of mortgage notes	(4,171)	(45,722)
Payment of deferred financing costs	—	(362)
Payments under finance leases	(137)	(149)
Contributions from non-controlling interests	64	240
Distributions to non-controlling interests	(53)	(350)
Net cash (used in) provided by financing activities	(4,297)	(20,343)
Net increase (decrease) in cash, cash equivalents and restricted cash	(10,424)	17,672
Cash, cash equivalents and restricted cash-beginning of period	210,938	93,570
Cash, cash equivalents and restricted cash-end of period	$ 200,514	$ 111,242

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in Thousands)

	Three Months Ended March 31,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,121	$ 16,847
Supplemental disclosure of non-cash investing and financing activities:		
Accrued capital expenditures	$ 364	$ 575

Refer to accompanying notes to consolidated financial statements (unaudited).

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Organization

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries (the "Company"), manages a diversified portfolio of investments in healthcare real estate, owned directly or through joint ventures, with a focus on the mid-acuity seniors housing sector, which the Company defines as assisted living ("ALF"), memory care ("MCF"), skilled nursing ("SNF"), independent living facilities ("ILF") and continuing care retirement communities ("CCRC"), which have independent living, assisted living, skilled nursing and memory care available on one campus. Primarily through joint ventures, the Company is also invested in other healthcare property types, including medical office buildings ("MOB"), hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company's investments are predominantly in the United States, but through its joint ventures also has international investments in the United Kingdom.

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 real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), commencing with the taxable year ended December 31, 2013. The Company has conducted its operations, and intends to do so in the future, so as to continue to qualify as a REIT for U.S. federal income tax purposes.

Substantially all of the Company's business is conducted through NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. The limited partners of the Operating Partnership are NorthStar Healthcare Income Advisor, LLC (the "Prior Advisor") and NorthStar Healthcare Income OP Holdings, LLC (the "Special Unit Holder"), each an affiliate of the Company's sponsor. The Prior Advisor invested \$1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested \$1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the "Special Units"), which are collectively recorded as non-controlling interests on the accompanying consolidated balance sheets as of March 31, 2022 and December 31, 2021. As the Company issued shares, it contributed substantially all of the proceeds from its continuous, public offerings to the Operating Partnership as a capital contribution. As of March 31, 2022, the Company's limited partnership interest in the Operating Partnership was 99.99%.

The Company's charter authorizes the issuance of up to 400.0 million shares of common stock with a par value of \$0.01 per share and up to 50.0 million shares of preferred stock with a par value of \$0.01 per share. The board of directors of the Company is authorized to amend its charter, without the approval of the stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that the Company has authority to issue.

The Company is externally managed and has no employees. On February 28, 2022, the Company's former Sponsor, DigitalBridge Group, Inc. (NYSE: DBRG) (the "Former Sponsor"), completed the previously announced disposition of its wellness infrastructure platform (the "Sponsor Transaction"). Following completion of the Sponsor Transaction, NRF Holdco, LLC ("NRF" or the "New Sponsor") (and together with the Former Sponsor, the Sponsor as the context requires), owns the Company's advisor, CNI NSHC Advisors, LLC (the "Advisor"), as well as its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals. NRF is wholly owned by CWP Bidco LP, an entity affiliated with Highgate, a privately held real estate investment and hospitality management company, and Aurora Health Network LLC, a privately held healthcare-focused investment firm. In addition, upon completion of the Sponsor Transaction, employees of the Former Sponsor focused on the wellness infrastructure platform became employees of the New Sponsor. The Advisor, now a subsidiary of the New Sponsor, will continue to manage the Company's day-to-day operations pursuant to an advisory agreement.

From inception through March 31, 2022, the Company raised \$2.0 billion in total gross proceeds from the sale of shares of common stock in its continuous, public offerings (the "Offering"), including \$232.6 million pursuant to its distribution reinvestment plan (the "DRP").

Impact of COVID-19

The world continues to experience the broad effects of the coronavirus 2019 ("COVID-19") pandemic. The Company's healthcare real estate business and investments have experienced declines in resident occupancy, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. These impacts of COVID-19 are expected to last, even as states and municipalities have eased and may further ease restrictions.

The continuing impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on a variety of factors, which may differ considerably across regions and fluctuate over time. An extended recovery period increases the risk of a prolonged negative impact on the Company's financial condition and results of operations. While the Company has the ability to meet its near term liquidity needs, general market concerns over credit and liquidity continue, and the effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation and related costs.

At this time, the progression of the global economic recovery from the broad effects of COVID-19 remains difficult for the Company to assess and estimate the future impact of COVID-19 on the Company's results of operations. Accordingly, any estimates of the effects of COVID-19 as reflected or discussed in these financial statements are based upon the Company's best estimates using information known to the Company as of the date of this Quarterly Report on Form 10-Q, and such estimates may change, the effects of which could be material. The Company will continue to monitor the progression of the economic recovery from COVID-19 and reassess its effects on the Company's results of operations and recoverability of value across its assets as conditions change.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying unaudited consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in the consolidated financial statements prepared under U.S. GAAP have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the U.S. Securities and Exchange Commission on March 18, 2022.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary or if the Company has the power to control an entity through majority voting interest or other arrangements. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. The Company bases its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for the Company or other interests to provide financial support; consideration of the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to the business activities of the Company and the other interests. The Company reassesses its determination of whether it is the primary beneficiary of a VIE each reporting period. Judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

The Company evaluates its investments and financings, including investments in unconsolidated ventures and securitization financing transactions to determine whether each investment or financing is a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

As of March 31, 2022, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the Operating Partnership, may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

Consolidated VIEs

The most significant consolidated VIEs are the Operating Partnership and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights. The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company's consolidated balance sheet as of March 31, 2022 is $220.6 million related to such consolidated VIEs. Included in mortgage and other notes payable, net on the Company's consolidated balance sheet as of March 31, 2022 is $174.6 million, collateralized by the real estate assets of the related consolidated VIEs.

Unconsolidated VIEs

As of March 31, 2022, the Company identified unconsolidated VIEs related to its real estate equity investments with a carrying value of $207.4 million. The Company's maximum exposure to loss as of March 31, 2022 would not exceed the carrying value of its investment in the VIEs. Based on management's analysis, the Company determined that it is not the primary beneficiary of these VIEs and, accordingly, they are not consolidated in the Company's financial statements as of March 31, 2022. The Company did not provide financial support to its unconsolidated VIEs during the three months ended March 31, 2022. As of March 31, 2022, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to its unconsolidated VIEs.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity will generally be consolidated. The Company does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or through a simple majority vote.

The Company performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method or the Company may elect the fair value option.

The Company will account for an investment under the equity method of accounting if it has the ability to exercise significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest. Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of preferred returns and allocation formulas, if any, as described in such governing documents. Equity method investments are recognized using a cost accumulation model, in which the investment is recognized based on the cost to the investor, which includes acquisition fees. The Company records as an expense certain acquisition costs and fees associated with consolidated investments deemed to be business combinations and capitalizes these costs for investments deemed to be acquisitions of an asset, including an equity method investment.

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and comprehensive income (loss) attributable to controlling and non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates and assumptions. Any estimates of the effects of COVID-19 as reflected and/or discussed in these financial statements are based upon the Company's best estimates using information known to the Company as of the date of this Quarterly Report on Form 10-Q. Such estimates may change and the impact of which could be material.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted cash consists of amounts related to operating real estate (escrows for taxes, insurance, capital expenditures, security deposits received from residents and payments required under certain lease agreements) and other escrows required by lenders of the Company’s borrowings.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported on the consolidated balance sheets to the total of such amounts as reported on the consolidated statements of cash flows (dollars in thousands):

	March 31, 2022 (Unaudited)	December 31, 2021
Cash and cash equivalents	$ 191,228	$ 200,473
Restricted cash	9,286	10,465
Total cash, cash equivalents and restricted cash	$ 200,514	$ 210,938

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their useful life. Ordinary repairs and maintenance are expensed as incurred. Operating real estate is depreciated using the straight-line method over the estimated useful life of the assets, summarized as follows:

Category:	Term:
Building	30 to 50 years
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	9 to 15 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	5 to 14 years

Construction costs incurred in connection with the Company’s investments are capitalized and included in operating real estate, net on the consolidated balance sheets. Construction in progress is not depreciated until the asset is available for its intended use.

Lessee Accounting

A leasing arrangement, a right to control the use of an identified asset for a period of time in exchange for consideration, is classified by the lessee either as a finance lease, which represents a financed purchase of the leased asset, or as an operating lease. For leases with terms greater than 12 months, a lease asset and a lease liability are recognized on the balance sheet at commencement date based on the present value of lease payments over the lease term.

Lease renewal or termination options are included in the lease asset and lease liability only if it is reasonably certain that the option to extend would be exercised or the option to terminate would not be exercised. As the implicit rate in most leases are not readily determinable, the Company's incremental borrowing rate for each lease at commencement date is used to determine the present value of lease payments. Consideration is given to the Company's recent debt financing transactions, as well as publicly available data for instruments with similar characteristics, adjusted for the respective lease term, when estimating incremental borrowing rates.

Lease expense is recognized over the lease term based on an effective interest method for finance leases and on a straight-line basis for operating leases.

Right of Use ("ROU") - Finance Assets

The Company has entered into finance leases for equipment which are included in operating real estate, net on the Company's consolidated balance sheets. As of March 31, 2022, furniture, fixtures and equipment under finance leases totaled $2.5 million. The leased equipment is amortized on a straight-line basis. For the three months ended March 31, 2022 and 2021, payments for finance leases totaled $0.1 million and $0.2 million, respectively, including assets that were disposed of through portfolio sales.

The following table presents the future minimum lease payments under finance leases and the present value of the minimum lease payments, which are included in other liabilities on the Company's consolidated balance sheets (dollars in thousands):

April 1 through December 31, 2022	$	334
Years Ending December 31:		
2023		93
2024		60
2025		29
2026		24
Thereafter		28
Total minimum lease payments	$	568
Less: Amount representing interest		(37)
Present value of minimum lease payments	$	531

The weighted average interest rate related to the finance lease obligations is 6.4% with a weighted average lease term of 2.2 years.

As of March 31, 2022, there were no leases that had yet to commence which would create significant rights and obligations to the Company as lessee.

Assets Held For Sale

The Company classifies certain long-lived assets as held for sale once the criteria, as defined by U.S. GAAP, have been met and are expected to sell within one year. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell, with any write-down recorded to impairment loss on the consolidated statements of operations. Depreciation and amortization is not recorded for assets classified as held for sale.

As of March 31, 2022 and December 31, 2021, the Company did not have any assets classified as held for sale.

Intangible Assets and Deferred Costs

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred leasing costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are recorded against the carrying value of such financing and are amortized to interest expense over the term of the financing using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) on investments and other, when the associated borrowing is repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period in which it is determined that the financing will not occur. Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortized on a straight-line basis over the remaining lease term and are recorded to depreciation and amortization in the consolidated statements of operations.

Identified Intangibles

The Company records acquired identified intangibles, such as the value of in-place leases and other intangibles, based on estimated fair value at the acquisition date. The value allocated to the identified intangibles is amortized over the remaining lease term. In-place leases are amortized into depreciation and amortization expense.

Impairment analysis for identified intangible assets is performed in connection with the impairment assessment of the related operating real estate. An impairment establishes a new basis for the identified intangible asset and any impairment loss recognized is not subject to subsequent reversal. Refer to "—Impairment on Operating Real Estate and Investments in Unconsolidated Ventures" for additional information.

Identified intangible assets are recorded in intangible assets, net on the consolidated balance sheets. Intangible assets relate to the Company's in-place lease values for the Company's four triple net lease properties. The following table presents intangible assets, net (dollars in thousands):

	March 31, 2022 (Unaudited)	December 31, 2021
In-place lease value	$ 120,149	$ 120,149
Less: Accumulated amortization	(117,643)	(117,559)
Intangible assets, net	$ 2,506	$ 2,590

The Company recorded amortization expense for in-place leases of $0.1 million for the three months ended March 31, 2022. For the three months ended March 2021, amortization expense for in-place leases and deferred costs was $0.5 million.

The following table presents future amortization of in-place lease value (dollars in thousands):

April 1 through December 31, 2022	$ 253
Years Ending December 31:	
2023	337
2024	337
2025	337
2026	337
Thereafter	905
Total	$ 2,506

Other Assets

The following table presents a summary of other assets (dollars in thousands):

	March 31, 2022 (Unaudited)	December 31, 2021
Other assets:		
Remainder interest in condominium units[(1)]	2,030	2,030
Prepaid expenses	6,524	4,948
Lease / rent inducements, net	3,343	3,209
Utility deposits	219	142
Other	633	442
Total	$ 12,749	$ 10,771

(1) Represents future interests in property subject to life estates.

Revenue Recognition

Operating Real Estate

Rental income from operating real estate is derived from leasing of space to healthcare operators, including rent received from the Company's net lease properties and rent, ancillary service fees and other related revenue earned from ILF residents. Rental income recognition commences when the operator takes legal possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. ILF resident agreements are generally short-term in nature and may allow for termination with 30 days' notice.

The Company also generates revenue from operating healthcare properties. Revenue related to operating healthcare properties includes resident room and care charges, ancillary fees and other resident service charges. Rent is charged and revenue is recognized when such services are provided, generally defined per the resident agreement as of the date upon which a resident occupies a room or uses the services. Resident agreements are generally short-term in nature and may allow for termination with 30 days' notice. Revenue derived from our ALFs, MCFs and CCRCs is recorded in resident fee income in the consolidated statements of operations.

Revenue from operators and residents is recognized at lease commencement only to the extent collection is expected to be probable in consideration of operators' and residents' creditworthiness. This assessment is based on several qualitative and quantitative factors, including and as appropriate, the payment history, ability to satisfy its lease obligations, the value of the underlying collateral or deposit, if any, and current economic conditions. If collection is assessed to not be probable thereafter, lease income recognized is limited to amounts collected, with the reversal of any revenue recognized to date in excess of amounts received. If collection is subsequently reassessed to be probable, revenue is adjusted to reflect the amount that would have been recognized had collection always been assessed as probable.

The operator of the Company's remaining four net lease properties failed to remit contractual monthly rent obligations and the Company deemed it not probable that these obligations will be satisfied in the future. For the three months ended March 31, 2022, the Company recorded rental income to the extent rental payments were received.

For the three months ended March 31, 2022 and 2021, total property and other revenue includes variable lease revenue of $1.6 million and $3.3 million, respectively. Variable lease revenue includes ancillary services provided to operator/residents, as well as non-recurring services and fees at the Company's operating facilities.

The Company did not receive or recognize any grant income from the Provider Relief Fund administered by the U.S. Department of Health and Human Services during the three months ended March 31, 2022. During the three months ended March 31, 2021, the Company recognized $7.4 million of grant income. The grant income is classified as other income, net in the consolidated statements of operations. These grants are intended to mitigate the negative financial impact of the COVID-19 pandemic as reimbursements for expenses incurred to prevent, prepare for and respond to COVID-19 and lost revenues attributable to COVID-19. Provided that the Company attests to and complies with certain terms and conditions of the grants, the Company will not be required to repay these grants in the future.

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such investment is reclassified to held for sale. The Company had one debt investment, which was repaid in full in August 2021.

Impairment on Operating Real Estate and Investments in Unconsolidated Ventures

Due to uncertainties over the extent and duration of the economic fallout from COVID-19, it is difficult for the Company to assess and estimate the future economic effects of COVID-19 with any meaningful precision. As the future impact of COVID-19 will depend on many factors beyond the Company's control and knowledge, the resulting effect on impairment of the Company's real estate held for investment and held for sale and investments in unconsolidated ventures may materially differ from the Company's current expectations and further impairment charges may be recorded in future periods.

Operating Real Estate

The Company's real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if the Company's estimate of the aggregate expected future undiscounted cash flow generated by the property is less than the carrying value. In conducting this review, the Company considers U.S. macroeconomic factors, real estate and healthcare sector conditions, together with asset specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value and recorded in impairment loss in the consolidated statements of operations.

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment may be reversed, but only up to the amount of cumulative loss previously recognized.

The Company considered the potential impact of the COVID-19 pandemic on the future net operating income of its healthcare real estate held for investment as an indicator of impairment. Fair values were estimated based upon the income capitalization approach, using net operating income for each property and applying indicative capitalization rates.

During the three months ended March 31, 2022, the Company did not record any impairment losses on its operating real estate. During the three months ended March 31, 2021, the Company recorded impairment losses totaling $0.8 million on its Smyrna net lease property, which was sold in May 2021.

Investments in Unconsolidated Ventures

The Company reviews its investments in unconsolidated ventures for which the Company did not elect the fair value option on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value may be impaired or that its carrying value may not be recoverable. An investment is considered impaired if the projected net recoverable amount over the expected holding period is less than the carrying value. In conducting this review, the Company considers global macroeconomic factors, including real estate sector conditions, together with investment specific and other factors. To the extent an impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying value of the investment over the estimated fair value and recorded in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations.

The Company did not impair any of its investments in unconsolidated ventures during the three months ended March 31, 2022, however, the underlying joint ventures recorded impairments and reserves on properties in their respective portfolios, which the Company recognized through equity in earnings (losses), of which the Company's proportionate share was de minimis. During the three months ended March 31, 2021, the Company did not impair any of its investments in unconsolidated ventures, nor did the underlying joint ventures record any impairments or reserves on properties in their respective portfolios.

Credit Losses on Receivables

The current expected credit loss model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experiences, current conditions and the effects of reasonable and supportable expectations of changes in future macroeconomic conditions. The Company assesses the estimate of expected credit losses on a quarterly basis or more frequently as necessary. The Company considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company measures expected credit losses of receivables on a collective basis when similar risk characteristics exist. If the Company determines that a particular receivable does not share risk characteristics with its other receivables, the Company evaluates the receivable for expected credit losses on an individual basis.

When developing an estimate of expected credit losses on receivables, the Company considers available information relevant to assessing the collectability of cash flows. This information may include internal information, external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. The Company considers relevant qualitative and quantitative factors that relate to the environment in which the Company operates and are specific to the borrower.

Further, the fair value of the collateral, less estimated costs to sell, may be used when determining the allowance for credit losses for a receivable for which the repayment is expected to be provided substantially through the sale of the collateral when the borrower is experiencing financial difficulty.

As of March 31, 2022, the Company has not recorded an allowance for credit losses on its receivables.

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the Company’s directors, including a majority of its independent directors. The Company records as an expense for certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment. Effective January 1, 2018, the Advisor no longer receives an acquisition fee in connection with the Company’s acquisitions of real estate properties or debt investments.

Equity-Based Compensation

The Company accounts for equity-based compensation awards using the fair value method, which requires an estimate of fair value of the award at the time of grant. All fixed equity-based awards to directors, which have no vesting conditions other than time of service, are amortized to compensation expense over the awards’ vesting period on a straight-line basis. Equity-based compensation is classified within general and administrative expenses in the consolidated statements of operations.

Income Taxes

The Company elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code beginning in its taxable year ended December 31, 2013. Accordingly, the Company will generally not be subject to U.S. federal income tax to the extent of its distributions to stockholders as long as certain asset, gross income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute dividends equal to at least 90.0% of its REIT taxable income (with certain adjustments) to its stockholders and meet certain other requirements. The Company believes that all of the criteria to maintain the Company’s REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company’s accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has assessed its tax positions for all open tax years, which include 2018 to 2021, and concluded there were no material uncertainties to be recognized.

The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income.

The Company made a joint election to treat certain subsidiaries as taxable REIT subsidiaries (“TRS”) which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform services for managers/operators/residents of the Company, hold assets that the Company cannot hold directly and may engage in any real estate or non-real estate related business.

Certain subsidiaries of the Company are subject to taxation by federal and state authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are provided on the portion of earnings (losses) recognized by the Company with respect to its interest in the TRS. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal and state income tax basis of assets and liabilities as of the consolidated balance sheet date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in provision for income tax benefit (expense) in the consolidated statements of operations. The Company has a deferred tax asset, which as of March 31, 2022 totaled $13.6 million and continues to have a full valuation allowance recognized, as there are no changes in the facts and circumstances to indicate that the Company should release the valuation allowance.

The Company recorded an income tax expense of approximately $15,000 for the three months ended March 31, 2022 and 2021.

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and other comprehensive income (loss) ("OCI"). The only component of OCI for the Company is foreign currency translation adjustments related to its investment in an unconsolidated venture.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the average currency exchange rate in effect during the period.

As of March 31, 2022 and December 31, 2021, the Company had exposure to foreign currency through an investment in an unconsolidated venture, the effects of which are reflected as a component of accumulated OCI in the consolidated statements of equity and in equity in earnings (losses) in the consolidated statements of operations.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2022

Disclosures by Business Entities about Government Assistance—In November 2021, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2021-10: *Disclosures by Business Entities about Government Assistance.* The guidance requires expanded disclosure for transactions involving the receipt of government assistance. Required disclosures include a description of the nature of transactions with government entities, accounting policies for such transactions and their impact to the Company's consolidated financial statements. The Company adopted ASU No. 2021-10 on January 1, 2022, with no transitional impact upon adoption.

Certain Leases with Variable Lease Payments—In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842): Lessors —Certain Leases with Variable Lease Payments*. The guidance in ASU 2021-05 amends the lease classification requirements for the lessors under certain leases containing variable payments to align with practice under ASC 840. Under the guidance, the lessor should classify and account for a lease with variable lease payments that does not depend on a reference index or a rate as an operating lease if both of the following criteria are met: 1) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in ASC 842-10-25-2 through 25-3; and 2) the lessor would have otherwise recognized a day-one loss. The amendments in ASU 2021-05 are effective for fiscal years beginning after December 15, 2021. The Company adopted ASU No. 2021-05 on January 1, 2022, with no transitional impact upon adoption.

Future Application of Accounting Standards

Reference Rate Reform—In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance in Topic 848 is optional, the election of which provides temporary relief for the accounting effects on contracts, hedging relationships and other transactions impacted by the transition from interbank offered rates (such as London Interbank Offered Rate ("LIBOR")) to alternative reference rates (such as Secured Overnight Financing Rate). Modification of contractual terms to effect the reference rate reform transition on debt, leases, derivatives and other contracts is eligible for relief from modification accounting and accounted for as a continuation of the existing contract. Topic 848 is effective upon issuance through December 31, 2022, and may be applied retrospectively to January 1, 2020. The Company may elect practical expedients or exceptions as applicable over time as reference rate reform activities occur.

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The guidance amends the scope of the recent reference rate reform guidance issued in ASU No. 2020-04. New optional expedients allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. The guidance was effective immediately and may be applied retrospectively to January 1, 2020. The Company may elect practical expedients or exceptions as applicable over time as reference rate reform activities occur.

3. Operating Real Estate

The following table presents operating real estate, net (dollars in thousands):

	March 31, 2022 (Unaudited)	December 31, 2021
Land	$ 121,518	$ 121,518
Land improvements	17,826	17,798
Buildings and improvements	967,934	965,630
Tenant improvements	189	—
Construction in progress	7,240	8,141
Furniture, fixtures and equipment	85,922	84,813
Subtotal	$ 1,200,629	$ 1,197,900
Less: Accumulated depreciation	(235,140)	(225,301)
Operating real estate, net	$ 965,489	$ 972,599

For the three months ended March 31, 2022 and 2021, depreciation expense was $9.8 million and $14.9 million, respectively.

Within the table above, buildings and improvements have been reduced by accumulated impairment losses of $149.7 million as of March 31, 2022 and December 31, 2021. There was no impairment loss recorded for the three months ended March 31, 2022. Impairment loss, as presented on the consolidated statements of operations, totaled $0.8 million for the three months ended March 31, 2021. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion.

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4. Investments in Unconsolidated Ventures

All investments in unconsolidated ventures are accounted for under the equity method. The following table presents the Company's investments in unconsolidated ventures (dollars in thousands):

			Carrying Value(1)	
Portfolio	Acquisition Date	Ownership	March 31, 2022 (Unaudited)	December 31, 2021
Trilogy	Dec-2015	23.2 %	$ 126,091	$ 126,366
Diversified US/UK	Dec-2014	14.3 %	77,118	80,766
Eclipse	May-2014	5.6 %	3,941	4,856
Espresso(2)	Jul-2015	36.7 %	—	—
Subtotal			$ 207,150	$ 211,988
Solstice(3)	Jul-2017	20.0 %	285	321
Total			$ 207,435	$ 212,309

(1) Includes $1.3 million, $13.4 million and $9.8 million of capitalized acquisition costs for the Company's investments in the Eclipse, Diversified US/UK, and Trilogy joint ventures, respectively.
(2) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. The Company recorded the excess equity in losses related to its unconsolidated venture as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture and was repaid in full August 2021. During the three months ended March 31, 2022, the Company received distributions from the joint venture greater than the Company's carrying value of its unconsolidated investment, which resulted in the Company recording a gain on the distribution totaling $0.2 million and a carrying value of zero as of March 31, 2022. Refer to Note 13, "Subsequent Events" for further discussion on distributions.
(3) Represents investment in Solstice Senior Living, LLC ("Solstice"), the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC ("ISL"), a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and the Company, which owns 20.0%.

The following table presents the results of the Company's investment in unconsolidated ventures (dollars in thousands):

	Three Months Ended March 31,			
	2022		2021	
Portfolio	Equity in Earnings (Losses)	Cash Distribution	Equity in Earnings (Losses)	Cash Distribution
Trilogy	$ 2,027	$ 2,301	$ (3,277)	$ —
Diversified US/UK	(1,148)	1,932	(2,698)	859
Eclipse	(295)	620	(140)	—
Espresso	1,954	2,200	5,257	—
Subtotal	$ 2,538	$ 7,053	$ (858)	$ 859
Solstice	(36)	—	(32)	—
Total	$ 2,502	$ 7,053	$ (890)	$ 859

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

5. Borrowings

The following table presents the Company's mortgage and other notes payable (dollars in thousands):

				March 31, 2022 (Unaudited)		December 31, 2021	
	Recourse vs. Non-Recourse	Initial Maturity	Contractual Interest Rate(1)	Principal Amount(2)	Carrying Value(2)	Principal Amount(2)	Carrying Value(2)
Mortgage notes payable, net							
Watermark Aqua Portfolio							
Frisco, TX(3)	Non-recourse	Feb 2026	3.0%	26,000	25,462	26,000	25,431
Milford, OH	Non-recourse	Sep 2026	LIBOR + 2.68%	18,559	18,303	18,661	18,388
Rochester Portfolio							
Rochester, NY	Non-recourse	Feb 2025	4.25%	18,738	18,681	18,911	18,853
Rochester, NY(4)	Non-recourse	Aug 2027	LIBOR + 2.34%	101,224	100,525	101,224	100,495
Rochester, NY	Non-recourse	Aug 2022	LIBOR + 2.90%	11,685	11,675	11,732	11,716
Arbors Portfolio(5)							
Various locations	Non-recourse	Feb 2025	3.99%	84,879	84,359	85,369	84,799
Winterfell Portfolio(6)							
Various locations	Non-recourse	Jun 2025	4.17%	605,671	595,125	608,810	597,460
Avamere Portfolio(7)							
Various locations	Non-recourse	Feb 2027	4.66%	68,923	68,554	69,144	68,755
Subtotal mortgage notes payable, net				$ 935,679	$ 922,684	$ 939,851	$ 925,897
Other notes payable							
Oak Cottage							
Santa Barbara, CA	Non-recourse	(8)	6.00%	$ 3,914	$ 3,914	$ 3,914	$ 3,914
Subtotal other notes payable, net				$ 3,914	$ 3,914	$ 3,914	$ 3,914
Total mortgage and other notes payable, net				$ 939,593	$ 926,598	$ 943,765	$ 929,811

(1) Floating-rate borrowings total $131.5 million of principal outstanding and reference one-month LIBOR.
(2) The difference between principal amount and carrying value of mortgage notes payable is attributable to deferred financing costs, net for all borrowings, other than the Winterfell portfolio which is attributable to below market debt intangibles.
(3) The mortgage note carries a fixed interest rate of 3.0% through February 2024, followed by the greater of the fixed rate or one-month LIBOR plus 2.80% through the initial maturity date of February 2026.
(4) Composed of seven individual mortgage notes payable secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(5) Composed of four individual mortgage notes payable secured by four healthcare real estate properties, cross-collateralized and subject to cross-default.
(6) Composed of 32 individual mortgage notes payable secured by 32 healthcare real estate properties, cross-collateralized and subject to cross-default.
(7) Composed of five individual mortgage notes payable secured by five healthcare real estate properties, cross-collateralized and subject to cross-default.
(8) In accordance with the financing agreement, the Company has the option to repay the outstanding principal balance or begin to make periodic payments with the net cash flow generated by the property until the financing is repaid in full. Remittance of principal payments commenced in April 2022.

The following table presents future scheduled principal payments on mortgage and other notes payable based on final maturity (dollars in thousands):

April 1 through December 31, 2022	$ 25,322
Years Ending December 31:	
2023	20,142
2024	20,865
2025	670,775
2026	47,451
Thereafter	155,038
Total	$ 939,593

As of March 31, 2022, the operator for the Arbors portfolio failed to remit contractual rent and comply with other contractual terms of its lease agreements, which resulted in defaults under the operator's leases, which in turn, resulted in a non-monetary default under the mortgage notes collateralized by the properties. During the three months ended March 31, 2022, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage notes collateralized by the properties.

As of March 31, 2022, a property within the Rochester portfolio did not satisfy the financial covenants under its mortgage note, which resulted in a loan default. The Company is currently in discussions with its lender to cure or otherwise waive the default, although there is no guarantee either resolution will be secured. During the three months ended March 31, 2022, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage note, which matures in February 2025.

Line of Credit - Related Party

In October 2017, the Company obtained a revolving line of credit from an affiliate of the Sponsor (the "Sponsor Line"). As of March 31, 2022, the Sponsor Line has a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR. In connection with the Sponsor Transaction, in February 2022, the maturity date was extended through February 2024. If the Company terminates its advisory agreement with the Advisor, it will no longer have access to the Sponsor Line. Upon termination of the advisory agreement for any reason, amounts drawn under the Sponsor Line, if any, would become immediately due. As of March 31, 2022 and December 31, 2021, the Company had no outstanding borrowings under the Sponsor Line.

6. Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company's affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on behalf of the Company. The Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to the Advisor include the Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, the Advisor receives fees and reimbursements from the Company. Pursuant to the advisory agreement, the Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to the Advisor.

In connection with the Sponsor Transaction, the Company's advisory agreement was renewed for a one-year term commencing on February 28, 2022 upon terms identical to those in effect through February 28, 2022, but for certain updates to remove the Former Sponsor and add NRF as the New Sponsor for certain limited provisions.

Fees to Advisor

Asset Management Fee

Effective January 1, 2018, the Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of the Company's most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared by the board of directors in connection with a sale, transfer or other disposition of a substantial portion of the Company's assets. Effective July 1, 2021, the asset management fee is paid entirely in shares of the Company's common stock at a price per share equal to the most recently published net asset value per share, and effective January 1, 2022 the fee is reduced if the Company's corporate cash balance exceeds $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

Incentive Fee

The Advisor is entitled to receive distributions equal to 15.0% of net cash flows of the Company, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital. From inception through March 31, 2022, the Advisor has not received any incentive fees from the Company.

Acquisition Fee

Effective January 1, 2018, the Advisor no longer receives an acquisition fee in connection with the Company's acquisitions of real estate properties or debt investments.

Disposition Fee

Effective June 30, 2020, the Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments.

Reimbursements to Advisor

Operating Costs

The Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. The Advisor allocates, in good faith, indirect costs to the Company related to the Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with the Advisor. The indirect costs include the Company's allocable share of the Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The indirect costs also include rental and occupancy, technology, office supplies and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to executive officers (although there may be reimbursement for certain executive officers of the Advisor) and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Advisor allocates these costs to the Company relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with the Company's board of directors, including its independent directors. The Advisor updates the board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. The Company reimburses the Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets; or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period. As of March 31, 2022, the Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred and paid to the Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2021	Three Months Ended March 31, 2022 Incurred	Three Months Ended March 31, 2022 Paid	Due to Related Party as of March 31, 2022 (Unaudited)
Fees to Advisor Entities					
Asset management	Asset management fees-related party	$ 937	$ 2,647	$ (2,729)	$ 855
Reimbursements to Advisor Entities					
Operating costs	General and administrative expenses	6,401	3,286	(6,401)	3,286
Total		$ 7,338	$ 5,933	$ (9,130)	$ 4,141

Pursuant to the advisory agreement, for the three months ended March 31, 2022, the Company issued 0.7 million shares totaling \$2.7 million, based on the estimated value per share on the date of each issuance, to an affiliate of the Advisor as part of its asset management fee. As of March 31, 2022, the Advisor, the Sponsor and their affiliates owned a total of 8.1 million shares, or \$31.7 million of the Company's common stock based on the Company's most recent estimated value per share. As of March 31, 2022, the Advisor, the Sponsor and their affiliates owned 4.2% of the total outstanding shares of the Company's common stock.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, which owns 80.0%, and the Company, which owns 20.0%. For the three months ended March 31, 2022, the Company recognized property management fee expense of $1.3 million paid to Solstice related to the Winterfell portfolio.

The below table indicates the Company's investments for which the Sponsor is also an equity partner in the joint venture. Each investment was approved by the Company's board of directors, including all of its independent directors. Refer to Note 4, "Investments in Unconsolidated Ventures" for further discussion of these investments:

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	NRF and Partner/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK	NRF and Partner	December 2014	14.3%

Line of Credit - Related Party

The Company has the Sponsor Line, which provides up to $35.0 million at an interest rate of 3.5% plus LIBOR. Refer to Note 5, "Borrowings" for further discussion.

7. Equity-Based Compensation

The Company adopted a long-term incentive plan, as amended (the "Plan"), which it may use to attract and retain qualified officers, directors, employees and consultants, as well as an independent directors compensation plan, which is a component of the Plan. Under the Plan, 2.0 million shares of restricted common stock were eligible to be issued for any equity-based awards granted under the Plan.

Pursuant to the Plan, as of March 31, 2022, the Company's independent directors were granted a total of 159,932 shares of restricted common stock and 66,840 restricted stock units totaling $1.3 million and $0.3 million, respectively, based on the share price on the date of each grant.

The restricted common stock and restricted stock units granted generally vest quarterly over two years in equal installments and will become fully vested on the earlier occurrence of: (i) the termination of the independent director's service as a director due to his or her death or disability; or (ii) a change in control of the Company. The restricted stock units are convertible, on a one-for-one basis, into shares of the Company's common stock upon the earlier occurrence of: (i) the termination of the independent director's service as a director; or (ii) a change in control of the Company.

The Company recognized equity-based compensation expense of $47,500 and $45,625 for the three months ended March 31, 2022 and 2021, respectively. Equity-based compensation expense is recorded in general and administrative expenses in the consolidated statements of operations.

Unrecognized expense related to unvested restricted common stock and restricted stock units totaled $175,667 and $223,167 as of March 31, 2022 and December 31, 2021, respectively. Unvested shares totaled 2,400 and 4,800 as of March 31, 2022 and December 31, 2021, respectively. Unvested restricted stock units totaled 41,775 and 50,130 as of March 31, 2022 and December 31, 2021, respectively.

8. Stockholders' Equity

Common Stock

The Company stopped accepting subscriptions for its Offering on December 17, 2015 and all of the shares initially registered for its Offering were issued on or before January 19, 2016. The Company issued 173.4 million shares of common stock generating gross proceeds of $1.7 billion, excluding proceeds from the DRP.

Distribution Reinvestment Plan

The Company adopted the DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of the Company's common stock in lieu of receiving cash distributions. The purchase price under the Company's initial DRP was $9.50. In connection with its determination of the offering price for shares of the Company's common stock in the follow-on offering, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price of $9.69 per share, which was approximately 95% of the offering price of $10.20 per share established for purposes of the follow-on offering. In April 2016, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price equal to the most recent estimated value per share of common stock. The following table presents the estimated value per share of common stock based on when the value became effective:

Effective Date	Estimated Value per Share	Valuation Date
April 2016	$ 8.63	12/31/2015
December 2016	9.10	6/30/2016
December 2017	8.50	6/30/2017
December 2018	7.10	6/30/2018
December 2019	6.25	6/30/2019
December 2020	3.89	6/30/2020
November 2021	3.91	6/30/2021

No selling commissions or dealer manager fees were paid on shares issued pursuant to the DRP. The board of directors of the Company may amend, suspend or terminate the DRP for any reason upon ten-days' notice to participants, except that the Company may not amend the DRP to eliminate a participant's ability to withdraw from the DRP.

Since inception, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to the DRP. For the three months ended March 31, 2022, the Company has not issued shares of common stock pursuant to the DRP. Refer to Note 13, "Subsequent Events" for further discussion.

Distributions

Effective February 1, 2019, the Company's board of directors determined to suspend recurring distributions in order to preserve capital and liquidity and no distributions were declared during the three months ended March 31, 2022. Refer to Note 13, "Subsequent Events" for further discussion.

In order to continue to qualify as a REIT, the Company must distribute annually dividends equal to at least 90% of its REIT taxable income (with certain adjustments). The Company did not have REIT taxable income for its taxable year ending December 31, 2021, therefore, it was not required to make distributions to its stockholders in 2021 to qualify as a REIT. The Company's most recently filed tax return is for the year ended December 31, 2020 and includes a net operating loss carry-forward of $122.9 million.

Share Repurchase Program

The Company adopted the share repurchase program (the "Share Repurchase Program") that enabled stockholders to sell their shares to the Company in limited circumstances. The Company is not obligated to repurchase shares under the Share Repurchase Program. The Company may amend, suspend or terminate the Share Repurchase Program at its discretion at any time, subject to certain notice requirements.

In April 2020, the Company's board of directors determined to suspend all repurchases under the Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity and has not repurchased any shares during the three months ended March 31, 2022.

The Company had funded repurchase requests with cash on hand, borrowings or other available capital.

9. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners' ownership percentage of the Operating Partnership. Income (loss) allocated to the Operating Partnership non-controlling interests for the three months ended March 31, 2022 and 2021 was de minimis.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net loss attributable to the other non-controlling interests was $45,468 for the three months ended March 31, 2022, and net income attributable to other non-controlling interest was $308,035 for the three months ended March 31, 2021.

10. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets.

b) Quoted prices for identical or similar assets or liabilities in non-active markets.

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.

d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Fair Value of Financial Instruments

U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities (dollars in thousands):

	March 31, 2022 (Unaudited)			December 31, 2021		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial liabilities:[1]						
Mortgage and other notes payable, net	$ 939,593	$ 926,598	$ 888,111	$ 943,765	$ 929,811	$ 889,485

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Real Estate Debt Investments, Net

The Company's real estate debt investment's fair value was determined by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. The fair value measurement of the Company's real estate debt investment was generally based on unobservable inputs, and as such, is classified as Level 3 of the fair value hierarchy. The Company had one debt investment, which was repaid in full in August 2021.

Mortgage and Other Notes Payable, Net and Line of Credit - Related Party

The Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury and LIBOR rates as of the end of the reporting period. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy. As of March 31, 2022 and December 31, 2021, the Company did not have any outstanding borrowings under its Sponsor Line.

Derivative Instruments

For certain mortgage notes payable, the Company has interest rate caps with fair values that are de minimis as of March 31, 2022.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment.

The following table summarizes the fair value, measured at the time of impairment, of Level 3 assets which have been measured at fair value on a nonrecurring basis during the periods presented and the associated impairment losses (dollars in thousands):

	March 31, 2022 (Unaudited)		December 31, 2021	
	Fair Value	Impairment Losses	Fair Value	Impairment Losses
Operating real estate, net	$ —	$ —	$ 11,793	$ 5,386

Operating Real Estate, Net

Operating real estate that is impaired is carried at fair value at the time of impairment. Impairment was driven by various factors that impacted undiscounted future net cash flows, including declines in operating performance, market growth assumptions, and expected margins to be generated by the properties. Fair value of impaired operating real estate was estimated based upon various approaches including discounted cash flow analysis using terminal capitalization rates ranging from 6.00% to 7.75% and discount rates ranging from 7.0% to 8.75%, third party appraisals and offer prices or broker opinions of value.

Assets Held For Sale

Assets held for sale are carried at the lower of amortized cost or fair value. Assets held for sale that were written down to fair value were generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with specific properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs. As of March 31, 2022 and December 31, 2021, the Company did not have any assets classified as held for sale.

11. Segment Reporting

The Company conducts its business through the following five segments, which are based on how management reviews and manages its business.

- *Direct Investments - Operating* - Healthcare properties operated pursuant to management agreements with healthcare managers.
- *Direct Investments - Net Lease* - Healthcare properties operated under net leases with an operator.

- *Unconsolidated Investments* - Healthcare joint ventures, including properties operated under net leases with operators or pursuant to management agreements with healthcare managers, in which the Company owns a minority interest.
- *Debt Investments* - Mortgage loans or mezzanine loans to owners of healthcare real estate. The Company had one mezzanine loan, which was repaid in August 2021.
- *Corporate* - The corporate segment includes corporate level asset management fees - related party and general and administrative expenses.

The Company primarily generates rental and resident fee income from its direct investments. Additionally, the Company reports its proportionate interest of revenues and expenses from unconsolidated investments through equity in earnings (losses) of unconsolidated ventures. During the three months ended March 31, 2021, the Company generated interest income on its real estate debt investment.

The following tables present segment reporting (dollars in thousands):

	Direct Investments						
Three Months Ended March 31, 2022	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate[(1)]**	**Total**
Property and other revenues	$ 249	$ 43,065	$ —	$ —	$ 18	$ 43,332
Interest income on debt investments	—	—	—	—	—	—
Property operating expenses	(25)	(32,869)	—	—	—	(32,894)
Interest expense	(898)	(9,411)	—	—	—	(10,309)
Transaction costs	—	—	—	—	—	—
Asset management fees - related party	—	—	—	—	(2,647)	(2,647)
General and administrative expenses	—	—	—	—	(3,686)	(3,686)
Depreciation and amortization	(863)	(9,060)	—	—	—	(9,923)
Impairment loss	—	—	—	—	—	—
Other income, net	—	72	—	—	—	72
Realized gain (loss) on investments and other	—	341	246	—	—	587
Equity in earnings (losses) of unconsolidated ventures	—	—	2,502	—	—	2,502
Income tax expense	—	(15)	—	—	—	(15)
Net income (loss)	$ (1,537)	$ (7,877)	$ 2,748	$ —	$ (6,315)	$ (12,981)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.

	Direct Investments					
Three Months Ended March 31, 2021	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate[(1)]**	**Total**
Property and other revenues	$ (776)	$ 58,109	$ —	$ —	$ 1	$ 57,334
Interest income on debt investments	—	—	—	2,213	—	2,213
Property operating expenses	(25)	(45,593)	—	—	—	(45,618)
Interest expense	(2,873)	(12,835)	—	—	(317)	(16,025)
Transaction costs	—	(54)	—	—	—	(54)
Asset management 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, net	—	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 benefit (expense)	—	(15)	—	—	—	(15)
Net income (loss)	$ (8,355)	$ 2,954	$ (890)	$ 2,213	$ (6,077)	$ (10,155)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.

The following table presents total assets by segment (dollars in thousands):

	Direct Investments					
Total Assets:	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate**[(1)]	**Total**
March 31, 2022 (Unaudited)	$ 104,571	$ 901,246	$ 207,435	$ —	$ 177,547	$ 1,390,799
December 31, 2021	104,809	908,517	212,309	—	187,238	1,412,873

(1) Represents primarily corporate cash and cash equivalents balances.

The following table presents the operators and managers of the Company's properties, excluding properties owned through unconsolidated joint ventures (dollars in thousands):

	As of March 31, 2022		Three Months Ended March 31, 2022	
Operator / Manager	**Properties Under Management**	**Units Under Management**[(1)]	**Property and Other Revenues**[(2)]	**% of Total Property and Other Revenues**
Solstice Senior Living[(3)]	32	4,000	$ 26,068	60.2 %
Watermark Retirement Communities	14	1,753	11,028	25.4 %
Avamere Health Services	5	453	4,771	11.0 %
Integral Senior Living	1	44	1,198	2.8 %
Arcadia Management[(4)]	4	572	249	0.6 %
Other[(5)]	—	—	18	— %
Total	56	6,822	$ 43,332	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from the Company's net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from the Company's ALFs and MCFs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) During the three months ended March 31, 2022, the Company recorded rental income to the extent payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

12. Commitments and Contingencies

As of March 31, 2022, the Company believes there are no material contingencies that would affect its results of operations, cash flows or financial position.

Litigation and Claims

The Company may be involved in various litigation matters arising in the ordinary course of its business. Although the Company is unable to predict with certainty the eventual outcome of any litigation, any current legal proceedings are not expected to have a material adverse effect on its financial position or results of operations.

The Company's tenants, operators and managers may be involved in various litigation matters arising in the ordinary course of their business. The unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect such tenants', operators' or managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to the Company, which, in turn, could have a material adverse effect on the Company. The effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation-related costs.

Environmental Matters

The Company follows a policy of monitoring its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at its properties, the Company is not currently aware of any environmental liability with respect to its properties that would have a material effect on its consolidated financial position, results of operations or cash flows. Further, the Company is not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that it believes would require additional disclosure or the recording of a loss contingency.

General Uninsured Losses

The Company obtains various types of insurance to mitigate the impact of professional liability, property, business interruption, liability, flood, windstorm, earthquake, environmental and terrorism related losses. The Company attempts to obtain appropriate policy terms, conditions, limits and deductibles considering the relative risk of loss, the cost of such coverage and current industry practice. There are, however, certain types of extraordinary losses, such as those due to acts of war or other events, including those that are related to the COVID-19 pandemic, that may be either uninsurable or not economically insurable.

Other

Other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business, as well as commitments to fund capital expenditures for certain net lease properties. These commitments do not have a required minimum funding and are limited by agreed upon maximum annual funding amounts.

13. Subsequent Events

The following is a discussion of material events which have occurred subsequent to March 31, 2022 through the issuance of the consolidated financial statements.

Distribution Reinvestment Plan

On April 12, 2022, the Company's board of directors elected to suspend the DRP effective April 30, 2022.

Special Distribution

On April 20, 2022, the Company's board of directors declared a special distribution of $0.50 per share (the "Special Distribution") for each stockholder of record on May 2, 2022. The Special Distribution paid in cash on or around May 5, 2022 totaled $97.0 million.

Distribution from Unconsolidated Venture

In May 2022, the Espresso joint venture completed the sale of 12 properties. As a result of the sale, the Company received a distribution totaling $16.0 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in Part I, Item 1. "Financial Statements" and the risk factors in Part II, Item 1A. "Risk Factors." References to "we," "us," "our," or "NorthStar Healthcare" refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

Overview

We were 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 seniors housing sector, which we define as assisted living, memory care, skilled nursing and independent living facilities and continuing care retirement communities. We also invest in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. Our investments are predominantly in the United States, but we also selectively make international investments.

We were formed in October 2010 as a Maryland corporation and commenced operations in February 2013. We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, commencing with the taxable year ended December 31, 2013. We conduct our operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

We are externally managed and have no employees. On February 28, 2022, our former Sponsor, DigitalBridge Group, Inc. (NYSE: DBRG), or our Former Sponsor, completed the previously announced disposition of its wellness infrastructure platform, or the Sponsor Transaction. Following completion of the Sponsor Transaction, NRF Holdco, LLC, or NRF or our New Sponsor (and together with our Former Sponsor, our Sponsor as the context requires), owns CNI NSHC Advisors, LLC, or our Advisor, as well as its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals. NRF is wholly owned by CWP Bidco LP, an entity affiliated with Highgate, a privately held real estate investment and hospitality management company, and Aurora Health Network LLC, a privately held healthcare-focused investment firm. In addition, upon completion of the Sponsor Transaction, employees of our Former Sponsor focused on the wellness infrastructure platform became employees of our New Sponsor. Our Advisor, now a subsidiary of our New Sponsor, will continue to manage our day-to-day operations pursuant to an advisory agreement.

From inception through March 31, 2022, we raised $2.0 billion in total gross proceeds from the sale of shares of our common stock in our continuous, public offerings, including $232.6 million pursuant to our distribution reinvestment plan, or our DRP, collectively referred to as our Offering.

Significant Developments

<u>Operating Performance</u>

The following is a summary of the performance of our investment segments for the three months ended March 31, 2022 as compared to the three months ended December 31, 2021. The world continues to experience the broad effects of the COVID-19 pandemic. Our healthcare real estate business and investments have been challenged by suboptimal occupancy levels, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. We continue to monitor the progression of the economic recovery from COVID-19 and its effects on our results of operations and assess recoverability of value across our assets as conditions change. For additional information on financial results, refer to "—Results of Operations."

Direct Investments - Operating

During the three months ended March 31, 2022, our direct operating investments experienced an 11.6% increase in the number of resident move-ins over the three months ended December 31, 2021, while the number of move-outs increased 3.0% over the same period. A summary of average occupancy by manager is as follows:

	Average Monthly Occupancy			Average Quarterly Occupancy		
Operator / Manager	**March 2022**	**December 2021**	**Variance**	**Q1 2022**	**Q4 2021**	**Variance**
Watermark Retirement Communities[(1)]	77.0 %	77.2 %	(0.2)%	77.4 %	77.1 %	0.3 %
Solstice Senior Living	78.4 %	77.2 %	1.2 %	78.0 %	77.1 %	0.9 %
Avamere Health Services	86.8 %	85.0 %	1.8 %	85.4 %	85.2 %	0.2 %
Integral Senior Living	97.5 %	97.5 %	— %	96.7 %	99.2 %	(2.5)%
Direct Investments - Operating	**78.7 %**	**77.9 %**	**0.8 %**	**78.5 %**	**77.9 %**	**0.6 %**

(1) Average monthly and annual occupancy excludes properties sold.

On a same store basis, rental and resident fee income of our direct operating investments increased to $43.1 million for the three months ended March 31, 2022 as compared to $42.3 million for the three months ended December 31, 2021 as a result of improved occupancy.

On a same store basis, excluding COVID-19 related expenses, property operating expenses of our direct operating investments increased to $32.7 million for the three months ended March 31, 2022 as compared to $31.4 million for the three months ended December 31, 2021. The increase was attributable to inflationary pressures on operating costs and staffing challenges, which in turn have resulted in additional overtime hours, use of agency and contract labor and increased salaries and wages expense.

Overall, on a same store basis, rental and resident fee income, net of property operating expenses, of our direct operating investments decreased to $10.4 million for the three months ended March 31, 2022 as compared to $10.9 million for the three months ended December 31, 2021.

Our direct operating investments, on a same store basis, incurred COVID-19 related expenses totaling $0.2 million for the three months ended March 31, 2022, as compared to $0.6 million for the three months ended December 31, 2021.

Direct Investments - Net Lease

The operator of our Arbors portfolio has failed to remit contractual rent and satisfy other lease conditions. Contractual monthly rent obligations have been remitted through May 2021 and we have recorded rental income to the extent rental payments were received during the three months ended March 31, 2022. The Arbors portfolio recognized rental income of $0.2 million for the three months ended March 31, 2022, as compared to $0.5 million for the three months ended December 31, 2021.

Unconsolidated Investments

Overall, our unconsolidated investment portfolios experienced similar operational challenges as our direct operating investments. Equity in earnings totaled $2.5 million for the three months ended March 31, 2022 as compared to equity in losses of $2.0 million for the three months ended December 31, 2021. The increase was primarily a result of improved operational performance in the Trilogy joint venture. Additionally, equity in earnings includes our proportionate share of net gains from a sale transaction in the Espresso joint venture, which totaled $0.7 million for the three months ended March 31, 2022. Equity in losses for the three months ended December 31, 2021 includes our proportionate share of impairment losses recorded by the Eclipse joint venture, which totaled $1.8 million.

During the three months ended March 31, 2022, we received distributions from our unconsolidated investments, which totaled $7.1 million as compared to $11.1 million for the three months ended December 31, 2021. Distributions continued to be limited by reinvestment and development in the Trilogy joint venture and operational challenges in the Diversified US/UK and Eclipse joint ventures.

The following is a summary of operations and performance for the Trilogy, Diversified US/UK, and Espresso joint ventures for the three months ended March 31, 2022:

- Trilogy: The joint venture's facilities experienced improvements to resident occupancy, however, labor shortages and inflationary pressures continued to impact its portfolio. Additionally, the joint venture continued to receive and recognize federal and state COVID-19 provider relief grants as income.

- Diversified US/UK: The joint venture continues to receive substantially all contractual monthly rent from its MOB tenants. The operators of the joint venture's net lease portfolios, including its portfolio in the United Kingdom, continue to face occupancy and expense pressures, which has affected their ability and willingness to pay rent. CCRC, SNF and ALF operating portfolios continue to sustain suboptimal occupancy levels and experienced staffing challenges.

- Espresso: The joint venture received full contractual rent from its net lease operators. In March 2022, we received $2.2 million of distributions from the joint venture. As a result of the joint venture pursuing dispositions of its various sub-portfolios, the remaining 108 properties have been classified as held for sale as of March 31, 2022. For additional information on distributions, refer to "—Recent Developments."

Recent Developments

The following is a discussion of material events which have occurred subsequent to March 31, 2022 through May 12, 2022.

Distribution Reinvestment Plan

On April 12, 2022, our board of directors elected to suspend our distribution reinvestment plan, or the DRP, effective April 30, 2022.

Special Distribution

On April 20, 2022, our board of directors declared a special distribution of $0.50 per share, or the Special Distribution, for each stockholder of record on May 2, 2022. The Special Distribution paid in cash on or around May 5, 2022 totaled $97.0 million.

Distribution From Unconsolidated Venture

In May 2022, the Espresso joint venture completed the sale of 12 properties. As a result of the sale, we received a distribution totaling $16.0 million.

Our Investments

We have invested in independent living facilities, or ILFs, assisted living facilities, or ALFs, memory care facilities, or MCFs, and continuing care retirement communities, or CCRCs, which we collectively refer to as seniors housing facilities, skilled nursing facilities, or SNFs, medical office buildings, or MOBs, and hospitals.

Our investments are categorized as follows:

- Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.
- Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.
- 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.

We generate revenues from resident fees and rental income. Resident fee income from our seniors housing facilities is recorded when services are rendered and includes resident room and care charges and other resident charges. Rental income is generated from our real estate for the leasing of space to various types of healthcare operators/tenants/residents. Additionally, we report our proportionate interest of revenues and expenses from unconsolidated joint ventures, which own healthcare real estate, through equity in earnings (losses) of unconsolidated ventures on our consolidated statements of operations.

For financial information regarding our reportable segments, refer to Note 11, "Segment Reporting" in our accompanying consolidated financial statements included in Part I, Item 1. "Financial Statements."

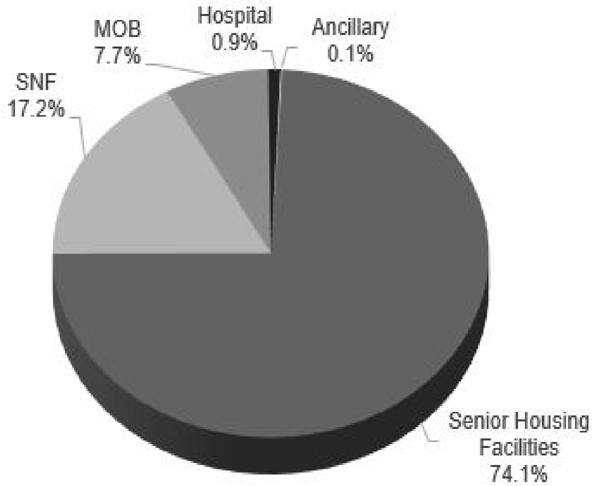
The following table presents a summary of investments as of March 31, 2022 (dollars in thousands):

Investment Type / Portfolio	Amount(2)(3)	Properties(1)(2) Seniors Housing	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Operating								
Winterfell	$ 904,985	32	—	—	—	32	Various	100.0%
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%
Other(4)	2,030	—	—	—	—	—	West	97.0%
Subtotal	$ 1,322,919	52	—	—	—	52		
Direct Investments - Net Lease								
Arbors	$ 126,825	4	—	—	—	4	Northeast	100.0%
Unconsolidated Investments								
Diversified US/UK	$ 445,855	92	106	39	9	246	Various	14.3%
Trilogy(5)	400,972	22	—	68	—	90	Southwest/Midwest	23.2%
Eclipse	37,291	42	—	9	—	51	Various	5.6%
Espresso(6)	—	—	—	—	—	—	Various	36.7%
Solstice(7)	—	—	—	—	—	—		20.0%
Subtotal	$ 884,118	156	106	116	9	387		
Total Investments	$ 2,333,862	212	106	116	9	443		

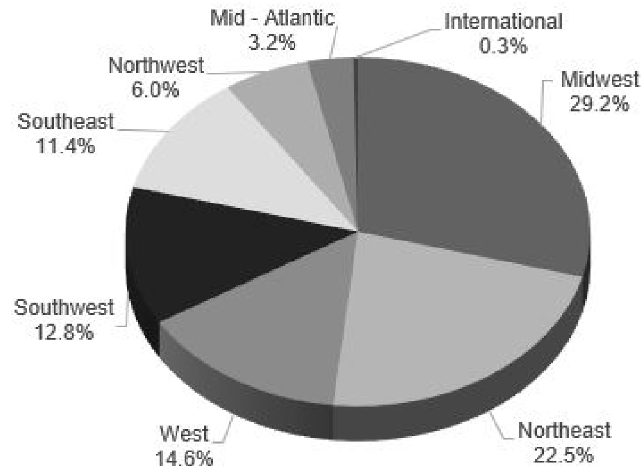
(1) Classification based on predominant services provided, but may include other services.
(2) Excludes properties held for sale.
(3) Based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
(4) Represents seven condominium units for which we hold future 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) As a result of the joint venture pursuing dispositions of its various sub-portfolios, the remaining 108 properties have been classified as held for sale as of March 31, 2022.
(7) 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 ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.

The following presents our real estate equity portfolio diversity across property type and geographic location based on cost:

Real Estate Equity by Property Type[(1)]



Real Estate Equity by Geographic Location



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(1) Classification based on predominant services provided, but may include other services.

Our investments include the following types of healthcare facilities as of March 31, 2022:

- *Seniors Housing Facilities.* We define seniors housing facilities to include ILFs, ALFs, MCFs and CCRCs, as described in further detail below. Revenues generated by seniors housing facilities typically come from private pay sources, including private insurance, and to a much lesser extent government reimbursement programs, such as Medicare and Medicaid.

  - *Assisted living facilities.* ALFs provide services that include minimal assistance for activities in daily living and permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at the facility on call or at regularly scheduled times. ALFs typically are comprised of one and two bedroom suites equipped with private bathrooms and efficiency kitchens.

  - *Independent living facilities.* ILFs are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, nutrition and limited laundry services. ILFs are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. ILFs typically offer several services covered under a regular monthly fee.

  - *Memory care facilities.* MCFs offer specialized options for seniors with Alzheimer's disease and other forms of dementia. Purpose built, free-standing MCFs offer an attractive alternative for private-pay residents affected by memory loss in comparison to other accommodations that typically have been provided within a secured unit of an ALF or SNF. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional ALFs. Residents require a higher level of care and more assistance with activities of daily living than in ALFs. Therefore, these facilities have staff available 24 hours a day to respond to the unique needs of their residents.

  - *Continuing care retirement community.* CCRCs provide, as a continuum of care, the services described for ILFs, ALFs and SNFs in an integrated campus. CCRCs can be structured to offer services covered under a regular monthly rental fee or under a one-time upfront entrance fee, which is partially refundable in certain circumstances.

- *Skilled Nursing Facilities.* SNFs provide services that include daily nursing, therapeutic rehabilitation, social services, housekeeping, nutrition and administrative services for individuals requiring certain assistance for activities in daily living. A typical SNF includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities. Revenues generated from SNFs typically come from government reimbursement programs, including Medicare and Medicaid, as well as private pay sources, including private insurance.
- *Medical Office Buildings.* MOBs are typically either single-tenant properties associated with a specialty group or multi-tenant properties leased to several unrelated medical practices. Tenants include physicians, dentists, psychologists, therapists and other healthcare providers, who require space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. MOBs are similar to commercial office buildings, although they require greater plumbing, electrical and mechanical systems to accommodate physicians' requirements such as sinks in every room, brighter lights and specialized medical equipment.
- *Hospitals.* Services provided by operators and tenants in hospitals are paid for by private sources, third-party payers (e.g., insurance and Health Maintenance Organizations), or through the Medicare and Medicaid programs. Our hospital properties typically will include acute care, long-term acute care, specialty and rehabilitation hospitals and generally are leased to operators under triple-net lease structures.

Direct Investments - Operating

For our operating properties, we enter into management agreements that generally provide for the payment of a fee to a manager, typically 4-5% of gross revenues with the potential for certain incentive compensation, and have direct exposure to the revenues and operating expenses of a property. As a result, our operating properties allow us to participate in the risks and rewards of the operations of healthcare facilities. Revenue derived from ILFs within our direct operating investments is classified as rental income on our consolidated statements of operations. Revenue derived from ALFs and MCFs within our direct operating investments is classified as resident fee income on our consolidated statements of operations.

The weighted average resident occupancy of our operating properties was 78.5% for the three months ended March 31, 2022.

Direct Investments - Net Lease

For our net lease properties, we enter into net leases that generally provide for fixed rental payments, subject to periodic increases based on certain percentages or the consumer price index, and obligate the operator to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures. Revenue derived from our net lease properties is classified as rental income on our consolidated statements of operations.

Our remaining four net lease properties are leased and operated by Arcadia Management with a lease term that expires in August 2029. However, the operator has failed to remit rent and comply with other contractual terms of its lease agreements, which resulted in defaults under the operator's leases as of March 31, 2022.

Operators and Managers

The following table presents the operators and managers of our direct investments (dollars in thousands):

	As of March 31, 2022		Three Months Ended March 31, 2022	
Operator / Manager	Properties Under Management	Units Under Management[(1)]	Property and Other Revenues[(2)]	% of Total Property and Other Revenues
Solstice Senior Living[(3)]	32	4,000	$ 26,068	60.2 %
Watermark Retirement Communities	14	1,753	11,028	25.4 %
Avamere Health Services	5	453	4,771	11.0 %
Integral Senior Living	1	44	1,198	2.8 %
Arcadia Management[(4)]	4	572	249	0.6 %
Other[(5)]	—	—	18	— %
Total	56	6,822	$ 43,332	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs and MCFs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) During the three months ended March 31, 2022, we recorded rental income to the extent rental payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As a result, we are dependent upon their personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections. As Solstice is a joint venture formed exclusively to operate the Winterfell portfolio, Solstice has generated, and may continue to generate, operating losses if declines in occupancy and operating revenues at our Winterfell portfolio continue.

Unconsolidated Investments

The following table presents our unconsolidated investments (dollars in thousands):

						Properties as of March 31, 2022[(1)]				
Portfolio	Partner	Acquisition Date	Ownership	AUM[(2)]	Equity Investment[(3)]	Seniors Housing Facilities	MOB	SNF	Hospitals	Total
Diversified US/UK	NRF and Partner	Dec-2014	14.3 %	$ 445,855	$ 243,544	92	106	39	9	246
Trilogy	American Healthcare REIT / Management Team of Trilogy Investors, LLC	Dec-2015	23.2 %	400,972	189,032	22	—	68	—	90
Eclipse	NRF and Partner/ Formation Capital, LLC	May-2014	5.6 %	37,291	23,400	42	—	9	—	51
Espresso[(4)]	Formation Capital, LLC/Safanad Management Limited	Jul-2015	36.7 %	—	55,146	—	—	—	—	—
Subtotal				$ 884,118	$ 511,122	156	106	116	9	387
Solstice		Jul-2017	20.0 %	—	402	—	—	—	—	—
Total				$ 884,118	$ 511,524	156	106	116	9	387

(1) Excludes properties classified as held for sale.
(2) Represents assets under management based on cost, 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.
(3) Represents initial and subsequent contributions to the underlying joint venture through March 31, 2022.
(4) As a result of the joint venture pursuing dispositions of its various sub-portfolios, the remaining 108 properties have been classified as held for sale as of March 31, 2022.

- *Diversified US/UK.* Portfolio of SNFs, ALFs, MOBs and hospitals across the United States and care homes in the United Kingdom. Our Sponsor and other minority partners own the remaining 85.7% of this portfolio.
- *Trilogy*. Portfolio of predominantly SNFs located in the Midwest and operated pursuant to management agreements with Trilogy Health Services, as well as ancillary services businesses, including a therapy business and a pharmacy business. American Healthcare REIT, Inc., or AHR, and management of Trilogy own the remaining 76.8% of this portfolio.
- *Eclipse.* Portfolio of SNFs and ALFs leased to, or managed by, a variety of different operators/managers across the United States. Our Sponsor and other minority partners and Formation own 86.4% and 8.0% of this portfolio, respectively.
- *Espresso.* Portfolio of predominantly SNFs, located in various regions across the United States, and organized in sub-portfolios under net leases. An affiliate of Formation acts as the general partner and manager of this investment. Formation and Safanad Management Limited own the remaining 63.3% of this portfolio.
- *Solstice.* Operator platform joint venture established to manage the operations of the Winterfell portfolio. An affiliate of ISL owns the remaining 80.0%.

Our Strategy

Our primary objective is to maximize value and generate liquidity for shareholders. Although our short-term strategy may continue to be impacted by the effects of the COVID-19 pandemic, the key elements of our strategy include:

- *Grow the Operating Income Generated by Our Portfolio.* Through active portfolio management, we will continue to review and implement operating strategies and initiatives in order to enhance the performance of our existing investment portfolio.
- *Deploy Strategic Capital Expenditures.* We will continue to invest capital into our operating portfolio in order to maintain market position, functional and operating standards, and provide an optimal mix of services and enhance the overall value of our assets.
- *Pursue Dispositions and Opportunities for Asset Repositioning and Other Strategic Initiatives to Maximize Value*. We will actively pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return and generate value for shareholders. Additionally, we will continue to assess the need for strategic repositioning or sale of assets, joint ventures, operators and markets to position our portfolio for optimal performance. We will also opportunistically explore other strategic initiatives to create value for shareholders.

Portfolio Management

Our Advisor and its affiliates maintain a comprehensive portfolio management process that generally includes oversight by asset management and capital markets teams, regular management meetings and operating results review process. These processes are designed to enable management to evaluate and proactively identify asset-specific issues and trends on a portfolio-wide, sub-portfolio or asset type basis. Nevertheless, we cannot be certain that our Advisor's review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from issues that are not identified during these portfolio reviews or the asset and portfolio management process.

Our Advisor's asset management and capital markets teams are experienced and use many methods to actively manage our asset base to enhance or preserve our income, value and capital and mitigate risk. Our Advisor's asset management and capital markets teams seek to identify opportunities for our investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide optimal mix of services and enhance the overall value of our assets. To manage risk, our Advisor's asset management and capital markets teams engage in frequent review and dialogue with operators/managers/borrowers/third party advisors and periodic inspections of our owned properties and collateral. During the COVID-19 pandemic, we performed virtual site tours of our properties in order to comply with safety measures and restrictions and began resuming in person inspections as conditions have allowed. In addition, our Advisor's asset management and capital market teams consider the impact of regulatory changes on the performance of our portfolio.

We will continue to monitor the performance of, and actively manage, all of our investments. However, there can be no assurance that our investments will continue to perform in accordance with the contractual terms of the governing documents or underwriting and we may, in the future, record impairment, as appropriate, if required.

Outlook and Recent Trends

The healthcare industry, which includes ILFs, ALFs, MCFs, CCRCs, SNFs, MOBs and hospitals, continues to experience the effects of COVID-19, including declines in resident occupancy, lower operating cash flows and compressed operating margins. Healthcare industry operating results will continue to be impacted to the extent occupancy remains below pre-pandemic levels. Further, the healthcare industry anticipates operating margins will continue to be impacted by cost inflation, labor pressures, additional staffing needs and related cost burdens.

The healthcare industry’s operational and financial recovery from the impact of the COVID-19 will depend on a variety of factors, which may differ considerably across regions, fluctuate over time and are highly uncertain. The healthcare industry experienced a higher pace of move-ins during the first quarter of 2022 as compared to the fourth quarter of 2021. As a result of overall increase in resident demand, improving consumer sentiment and easing restrictions on visitation and admissions, the seniors housing industry occupancy average rose to 80.6% during the first quarter of 2022 from 80.4% in the fourth quarter of 2021. In addition, annual inventory growth decreased to 1.8% during the first quarter of 2022, while construction versus inventory ratio of 5.3% remained elevated in the first quarter of 2022 (source: The National Investment Centers for Seniors Housing & Care, or NIC).

The CARES Act has provided over $100 billion in grants to eligible health care providers for health care related expenses or lost revenues that are attributable to COVID-19. Licensed assisted living providers became eligible to apply for funding under the Provider Relief Fund Phase 2 General Distribution allocation and remain eligible under the Provider Relief Fund Phase 3 and Phase 4 General Distributions. In addition, the CMS has provided accelerated and advance payments to Medicare providers. Operators continue to evaluate their options for financial assistance, such as utilizing programs within the CARES Act as well as other state and local government relief programs. However, the uncertainty regarding future availability of such relief, and its ultimate impact, including the extent to which relief funds from such programs will provide meaningful support for lost revenue and increasing costs, is uncertain. Additionally, although we continue to evaluate and monitor the terms and conditions associated with relief programs, we cannot ensure ultimate compliance with all the requirements related to the assistance received. If any of our operators fail to comply with all of the terms and conditions, they may be required to repay some or all of the grants received and may be subject to other enforcement action, which could have a material adverse impact on our business and financial condition.

Seniors Housing

Notwithstanding the demographics and forecasted spending growth, economic and healthcare market uncertainty, development, and competitive pressures have had a negative impact on the seniors housing industry, weakening the market’s fundamentals and ultimately reducing operating income for managers and operators.

Supply growth, which has outpaced demand, has challenged the seniors housing industry over the past several years. New inventory, coupled with the average move-in age of seniors housing residents increasing over time, has resulted in declining occupancy for the industry on average. Further, to remain competitive with the new supply, owners and operators of older facilities have increased capital expenditure spending, which in turn has negatively affected cash flow. While off its peak of 7.7% in the fourth quarter of 2017, seniors housing under construction as a share of inventory was 5.3% in the first quarter of 2022 (source: NIC). It is expected that, as demographics and demand continue to increase long-term, supply growth will follow.

As a result of increased supply, the seniors housing industry has experienced competitive pressures that have limited rent growth over the past several years. Average market rent growth reached its peak of 4.2% in 2016 and has since decreased to 3.3% as of the first quarter of 2022, with pressures caused by the COVID-19 pandemic contributing to the decline (source: NIC). Limited future supply growth and reestablishing normal operations in a post-pandemic environment will be factors in achieving near and long term revenue growth for the industry.

Further, prior to the COVID-19 pandemic, a tight labor market and competition to attract quality staff had resulted in increased wages and personnel costs, resulting in lower margins. The COVID-19 pandemic has further exacerbated operating expense growth, with increased staffing needs and personal protective equipment requirements. While it is expected that the increases in expenses to combat the effects of the COVID-19 pandemic will be temporary, wage and benefits increases may continue to impact the industry’s margins in the future, as labor represents 60% of the seniors housing industry’s operating expenses (source: Green Street).

Skilled Nursing

While generally impacted by the same conditions as the seniors housing industry, SNF operators are currently facing various operational, reimbursement, legal and regulatory challenges. Increased wages and labor costs, narrowing of referral networks, shorter lengths of stay, staffing shortages, expenses associated with inspections, enforcement proceedings and legal actions related to professional and general liability claims have contributed to compressed margins and declines in cash flow.

SNF operators receive a majority of their revenues from governmental payors, primarily Medicare and Medicaid. With a dependence on government reimbursement as the primary source of their revenues, SNF operators are also subject to intensified efforts to impose pricing pressures and more stringent cost controls, through value-based payments, managed care and similar programs, which could result in lower daily reimbursement rates, lower lease coverage, decreased occupancy and declining operating margins, liquidity and financial conditions.

On February 28, 2022, the White House announced a set of reforms, developed by and implemented through U.S. Department of Health and Human Services, or HHS, aimed at improving safety and quality of nursing home care. The new initiatives include establishing a minimum nursing home staffing requirement, reducing resident room crowding and reinforcing safeguards against unnecessary medications and treatments. To ensure compliance, in addition to increased government inspections, the White House Administration plans to expand the financial penalties and other enforcement sanctions against facilities not meeting the set standards. These reforms might further increase the cost burdens for our SNF operators and expose them to financial penalties.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Certain accounting policies are considered to be critical accounting policies. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's subjective and complex judgments, and for which the impact of changes in estimates and assumptions could have a material effect on our financial statements. We believe that all of the decisions and assessments upon which our financial statements are based were reasonable at the time made, based upon information available to us at that time.

For a summary of our accounting policies, refer to Note 2, "Summary of Significant Accounting Policies" in our accompanying consolidated financial statements included in Part I, Item 1. "Financial Statements."

We highlight below accounting estimates that we believe are critical based on the nature of our operations and/or require significant management judgment and assumptions:

- Impairment

Our investments are reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of our investments may be impaired or that carrying value may not be recoverable. In conducting these reviews, we consider macroeconomic factors, including healthcare sector conditions, together with asset and market specific circumstance, among other factors. To the extent an impairment has occurred, the loss will be measured as compared to the carrying amount of the investment. Fair values can be estimated based upon the income capitalization approach, using net operating income for each property and applying indicative capitalization and discount rates or sales comparison approach, using what other purchasers and sellers in the market have agreed to as price for comparable properties.

Impairment

During the three months ended March 31, 2022, we did not record impairment losses for any of our direct investments.

Accumulated impairment losses for operating real estate that we continue to hold as of March 31, 2022 totaled $149.7 million. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and 2020 for additional information regarding impairment recorded in prior years.

During the three months ended March 31, 2022, we did not impair any of our investments in unconsolidated ventures, however, our unconsolidated ventures have recorded impairments and reserves on properties in their respective portfolios, which have been recognized through our equity in earnings (losses), of which our proportionate share was de minimis.

Due to uncertainties over the extent and duration of the COVID-19 pandemic, at this time, it is difficult to assess and estimate the further economic effects of COVID-19 with any meaningful precision. As the future impact of COVID-19 will depend on many factors beyond our control and knowledge, the resulting effect on impairment of our operating real estate and investments in unconsolidated ventures may materially differ from our current expectations and further impairment charges may be recorded in the future.

Results of Operations

Impact of COVID-19

The world continues to experience the broad effects of the COVID-19 pandemic. Our healthcare real estate business and investments are challenged by suboptimal occupancy levels, lower labor force participation rates, which has driven increased labor costs, and inflationary pressures on other operating expenses. We continue to monitor the progression of the economic recovery from COVID-19 and its effects on our results of operations and assess recoverability of value across our assets as conditions change.

Comparison of the Three Months Ended March 31, 2022 to March 31, 2021 (dollars in thousands)

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Property and other revenues				
Resident fee income	$ 10,755	$ 28,282	$ (17,527)	(62.0)%
Rental income	32,559	29,051	3,508	12.1 %
Other revenue	18	1	17	1,700.0 %
Total property and other revenues	43,332	57,334	(14,002)	(24.4)%
Interest income				
Interest income on debt investments	—	2,213	(2,213)	(100.0)%
Expenses				
Property operating expenses	32,894	45,618	(12,724)	(27.9)%
Interest expense	10,309	16,025	(5,716)	(35.7)%
Transaction costs	—	54	(54)	(100.0)%
Asset management fees - related party	2,647	2,769	(122)	(4.4)%
General and administrative expenses	3,686	3,033	653	21.5 %
Depreciation and amortization	9,923	15,387	(5,464)	(35.5)%
Impairment loss	—	786	(786)	(100.0)%
Total expenses	59,459	83,672	(24,213)	(28.9)%
Other income, net	72	7,360	(7,288)	(99.0)%
Realized gain (loss) on investments and other	587	7,515	(6,928)	(92.2)%
Equity in earnings (losses) of unconsolidated ventures	2,502	(890)	3,392	(381.1)%
Income tax expense	(15)	(15)	—	— %
Net income (loss)	$ (12,981)	$ (10,155)	$ (2,826)	27.8 %

Resident Fee Income

The following table presents resident fee income generated by our direct investments (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store ALF/MCF properties (excludes properties sold)	$ 10,755	$ 9,915	$ 840	8.5 %
Properties sold	—	18,367	(18,367)	(100.0)%
Total resident fee income	$ 10,755	$ 28,282	$ (17,527)	(62)%

Resident fee income decreased $17.5 million as a result of property sales during 2021. The Watermark Fountains portfolio sold in December 2021, the Kansas City portfolio in June 2021 and a property within the Aqua portfolio sold in March 2021.

Excluding properties sold, resident fee income increased by $0.8 million primarily as a result of an increase in occupancy and rates at our ALFs and MCF.

Rental Income

The following table presents rental income generated by our direct investments (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store ILF properties (excludes properties sold)	$ 32,310	$ 29,827	$ 2,483	8.3 %
Same store net lease properties (excludes properties sold)				
Rental payments	249	998	(749)	(75.1)%
Straight-line rental income (loss)	—	(7,350)	7,350	(100.0)%
Properties sold	—	5,576	(5,576)	(100.0)%
Total rental income	$ 32,559	$ 29,051	$ 3,508	12.1 %

Rental income increased by $3.5 million primarily as a result of the write-off of straight-line rent receivables at our Arbors portfolio during 2021, partially offset by the loss of revenues from properties sold in 2021.

On a same store basis, rental income at our ILFs increased as a result of improved occupancy, while rental payments from our net lease properties decreased as compared to the three months ended March 31, 2021.

Interest Income on Debt Investments

There was no interest income on debt investments recognized during the three months ended March 31, 2022 as a result of receiving the full repayment of outstanding principal on our mezzanine loan debt investment in August 2021.

Property Operating Expenses

The following table presents property operating expenses incurred by our direct investments (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store (excludes properties sold and COVID-19 related expenses)				
ALF/MCF properties	$ 8,479	$ 6,793	$ 1,686	24.8 %
ILF properties	24,197	21,275	2,922	13.7 %
Net lease properties	25	25	—	— %
COVID-19 related expenses	157	1,005	(848)	(84.4)%
Properties sold	36	16,520	(16,484)	(99.8)%
Total Property operating expenses	$ 32,894	$ 45,618	$ (12,724)	(27.9)%

Overall, total operating expenses decreased $12.7 million primarily as a result of property sales during the year ended December 31, 2021.

On a same store basis, operating expenses increased $4.6 million, primarily as a result of our operators experiencing staffing challenges, which has increased salaries and wages due to additional overtime hours and use of agency and contract labor to fill open positions. In addition, sales and marketing expenses have increased with the improved volume of resident move-ins, while the resumption of normalized business operations has allowed our managers to complete deferred repairs and maintenance projects.

Interest Expense

The following table presents interest expense incurred on our borrowings (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 1,378	$ 1,373	$ 5	0.4 %
ILF properties	8,033	8,246	(213)	(2.6)%
Net lease properties	898	920	(22)	(2.4)%
Properties sold	—	5,169	(5,169)	(100.0)%
Corporate	—	317	(317)	(100.0)%
Total interest expense	$ 10,309	$ 16,025	$ (5,716)	(35.7)%

Interest expense decreased $5.7 million primarily as a result of the repayment of mortgage notes payable which were collateralized by properties sold during the year ended December 31, 2021. In addition, average mortgage notes principal balances decreased as compared to March 31, 2021 due to continued principal amortization. Corporate interest expense represents interest resulting from the borrowings under our revolving line of credit from an affiliate of our Sponsor, or the Sponsor Line, which was repaid in full in July 2021.

Asset Management Fees - Related Party

Our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value. Effective January 1, 2022, according to the amendment to our advisory agreement, the monthly management fee is reduced if our corporate cash balances exceed $75.0 million, resulting in a $0.1 million decrease in asset management fees.

General and Administrative Expenses

General and administrative expenses increased $0.7 million primarily as a result of amortizing our directors' and officers' insurance premium incurred and reimbursed to our Advisor over the term of the policy, beginning in December 2021.

Depreciation and Amortization

The following table presents depreciation and amortization recognized on our direct investments (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 1,813	$ 1,729	$ 84	4.9 %
ILF properties	7,247	7,245	2	— %
Net lease properties	863	861	2	0.2 %
Properties sold	—	5,552	(5,552)	(100.0)%
Total depreciation and amortization	$ 9,923	$ 15,387	$ (5,464)	(35.5)%

Depreciation and amortization expense decreased $5.5 million, primarily as a result of properties sold during the year ended December 31, 2021.

Impairment Loss

During the three months ended March 31, 2022, we did not incur any impairment losses on operating real estate assets.

During the three months ended March 31, 2021, impairment losses on operating real estate totaled $0.8 million for our Smyrna net lease property, which was sold in May 2021.

Other Income, Net

Other income, net for the three months ended March 31, 2022 consisted of $0.1 million in COVID-19 testing reimbursements received and recognized at our Avamere portfolio. During the three months ended March 31, 2021, we received and recognized $7.4 million in federal COVID-19 provider relief grants from HHS.

Realized Gain (Loss) on Investments and Other

During the three months ended March 31, 2022 we recognized a $0.2 million gain on a distribution that exceeded our carrying value for our investment in the Espresso joint venture. Additionally, we recorded a gain on the change in value of our mortgage note payable interest rate caps, which totaled $0.3 million.

During the three months ended March 31, 2021 we recognized a $7.5 million gain on the sale of a property within the Aqua portfolio.

Equity in Earnings (Losses) of Unconsolidated Ventures

The following table presents the results of our unconsolidated ventures (dollars in thousands):

	Three Months Ended March 31,								Three Months Ended March 31,	
	2022	2021	2022	2021	2022	2021			2022	2021
Portfolio	Equity in Earnings (Losses)		FFO and MFFO adjustments[(1)]		Equity in Earnings, after FFO and MFFO adjustments		Increase (Decrease)		Cash Distributions	
Eclipse	$ (295)	$ (140)	$ 288	$ 339	$ (7)	$ 199	$ (206)	(103.5)%	$ 620	$ —
Diversified US/UK	(1,148)	(2,698)	3,810	6,996	2,662	4,298	(1,636)	(38.1)%	1,932	859
Espresso	1,954	5,257	477	(2,318)	2,431	2,939	(508)	(17.3)%	2,200	—
Trilogy	2,027	(3,277)	3,968	4,027	5,995	750	5,245	699.3 %	2,301	—
Subtotal	$ 2,538	$ (858)	$ 8,543	$ 9,044	$ 11,081	$ 8,186	$ 2,895	35.4 %	$ 7,053	$ 859
Solstice	(36)	(32)	—	—	(36)	(32)	(4)	12.5 %	—	—
Total	$ 2,502	$ (890)	$ 8,543	$ 9,044	$ 11,045	$ 8,154	$ 2,891	35.5 %	$ 7,053	$ 859

(1) Represents our proportionate share of revenues and expenses excluded from the calculation of FFO and MFFO for unconsolidated investments. Refer to "—Non-GAAP Financial Measures" for additional discussion.

Our equity in earnings generated by our unconsolidated investments increased by $3.4 million primarily due to improvements in operational performance in the Trilogy joint venture and a write-off of straight-line rent receivables at the Diversified US/UK joint venture during the three months ended March 31, 2021, partially offset by less recognized gains on assets sold in the Espresso joint venture during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

Equity in earnings, after FFO and MFFO adjustments, increased by $2.9 million as a result of the improvements in the Trilogy joint venture, partially offset by a tax benefit recognized in the Diversified US/UK portfolio for the three months ended March 31, 2021.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

We believe that Funds from Operations, or FFO, and Modified Funds from Operations, or MFFO, are additional appropriate measures of the operating performance of a REIT and of us in particular. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or 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 initial 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.

Acquisition fees paid to our Advisor in connection with the origination and acquisition of debt investments have been amortized over the life of the investment as an adjustment to interest income, while fees paid to our Advisor in connection with the acquisition of equity investments were generally expensed under U.S. GAAP. In both situations, the fees were included in the computation of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense), both of which are performance measures under U.S. GAAP. We adjusted MFFO for the amortization of acquisition fees in the period when such amortization was recognized under U.S. GAAP or in the period in which the acquisition fees were expensed. Acquisition fees were paid in cash that would otherwise have been available to distribute to our stockholders. Such fees and expenses will not be reimbursed by our Advisor or its affiliates and third parties. However, in general, we earned origination fees for debt investments from our borrowers in an amount equal to the acquisition fees paid to our Advisor. Effective January 1, 2018, our Advisor no longer receives an acquisition fee in connection with our acquisition of real estate properties or debt investments.

Due to certain of the unique features of publicly-registered, non-traded REITs, the Institute for Portfolio Alternatives, or 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 adjustments 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 U.S. Securities and Exchange Commission, or 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 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. 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:

- acquisition fees and expenses;
- 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);
- amortization of a premium and accretion of a discount on debt investments;
- non-recurring impairment of real estate-related investments that meet the specified criteria identified in the rules and regulations of the SEC;
- realized gains (losses) from the early extinguishment of debt;
- 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;
- unrealized gains (losses) from fair value adjustments on real estate securities, including CMBS and other securities, interest rate swaps and other derivatives not deemed hedges and foreign exchange holdings;
- unrealized gains (losses) from the consolidation from, or deconsolidation to, equity accounting;
- adjustments related to contingent purchase price obligations; and

- adjustments for consolidated and unconsolidated partnerships and joint ventures calculated to reflect MFFO on the same basis as above.

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 consolidated 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. 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. 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.

The following table presents a reconciliation of net income (loss) attributable to common stockholders to FFO and MFFO attributable to common stockholders (dollars in thousands):

	Three Months Ended March 31,	
	2022	2021
Funds from operations:		
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (12,936)	$ (10,463)
Adjustments:		
Depreciation and amortization	9,923	15,387
Depreciation and amortization related to non-controlling interests	(72)	(145)
Depreciation and amortization related to unconsolidated ventures	7,170	7,808
Realized (gain) loss from sales of property	(29)	(7,528)
Realized gain (loss) from sales of property related to non-controlling interests	1	226
Realized (gain) loss from sales of property related to unconsolidated ventures	(2,311)	(6,522)
Impairment losses of depreciable real estate	—	786
Impairment losses of depreciable real estate held by unconsolidated ventures	20	—
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 1,766	$ (451)
Modified funds from operations:		
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 1,766	$ (451)
Adjustments:		
Transaction costs	—	54
Straight-line rental (income) loss	—	7,639
Amortization of premiums, discounts and fees on investments and borrowings	969	1,152
Realized (gain) loss on investments and other	(558)	13
Adjustments related to unconsolidated ventures[(1)]	3,664	7,758
Adjustments related to non-controlling interests	7	(14)
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 5,848	$ 16,151

(1) Primarily represents our proportionate share of liability extinguishment gains, loan loss reserves, transaction costs and amortization of above/below market debt adjustments, straight-line rent adjustments, debt extinguishment losses and deferred financing costs, incurred through our investments in unconsolidated ventures.

Liquidity and Capital Resources

Our current principal liquidity needs are to fund: (i) operating expenses, including corporate general and administrative expenses; (ii) principal and interest payments on our borrowings and other commitments; and (iii) capital expenditures, including capital calls in connection with our unconsolidated joint venture investments.

Our current primary sources of liquidity include the following: (i) cash on hand; (ii) proceeds from full or partial realization of investments; (iii) cash flow generated by our investments, both from our operating activities and distributions from our unconsolidated joint ventures; and (iv) secured or unsecured financings from banks and other lenders, including investment-level financing and/or a corporate credit facility.

We generated significant liquidity in 2021 from proceeds from asset sales and other realization events. As a result, on April 20, 2022, our board of directors declared the Special Distribution of $0.50 per share for each stockholder of record on May 2, 2022. The Special Distribution paid in cash on or around May 5, 2022 totaled $97.0 million. While we do not anticipate recurring dividends in the near future, in light of the cash flow generated by our investments as compared to our capital expenditure needs and debt service obligations, our board of directors will evaluate special distributions in connection with asset sales and other realizations of our investments on a case-by-case basis based on, among other factors, current and projected liquidity needs, opportunities for investment in our assets (such as capital expenditure and de-levering opportunities) and other strategic initiatives.

As of May 12, 2022, we had approximately $107.1 million of unrestricted cash and currently believe that our capital resources are sufficient to meet our capital needs for the following 12 months.

Cash From Operations

We primarily generate cash flow from operations through net operating income from our operating properties and rental income from our net lease properties. In addition, we received distributions from our investments in unconsolidated ventures, which are classified as cash flows from investing activities on our consolidated statements of cash flows. Net cash used in operating activities was $10.8 million for the three months ended March 31, 2022. During the three months ended March 31, 2022, debt service payments, which include principal amortization, on our borrowings exceeded our cash flow from operations. We have utilized cash reserves generated from asset realizations to fund debt service payments, which is expected to continue until occupancy and revenues of our direct investments improve from current levels.

A substantial majority of our direct investments are operating properties whereby we are directly exposed to various operational risks. While our direct operating investments have not experienced any significant issues collecting rents or other fees from residents as a result of COVID-19, cash flow has continued to be negatively impacted by, among other things, suboptimal occupancy levels, rate pressures, increased labor and benefits costs, as well as rising real estate taxes. We expect that these factors will continue to materially impact our revenues, expenses and cash flow generated by the communities of our direct operating investments.

The operator of our Arbors net lease portfolio has been impacted by the same COVID-19 factors discussed above, which has and will continue to affect its ability and willingness to pay rent. As of May 12, 2022, the operator continues to make partial rental payments based on availability of cash and liquidity and has not satisfied full contractual rent obligations. The operator has applied for and benefited from federal relief assistance, however, the operator’s ability to pay rent in the future is currently unknown. Numerous state, local, federal and industry-initiated efforts have also affected or may affect the landlord and its ability to collect rent and/or enforce remedies for the failure to pay rent.

We have significant joint ventures and may not be able to control the timing of distributions, if any, from these investments. As of March 31, 2022, our unconsolidated joint ventures and consolidated joint ventures represented 37.9% and 12.8%, respectively, of our total real estate equity investments, based on cost. Our unconsolidated joint ventures, which have been similarly impacted by COVID-19 as our direct investments, may continue to limit distributions to preserve liquidity.

Borrowings

We use asset-level financing as part of our investment strategy to leverage our investments while managing refinancing and interest rate risk. We typically finance our investments with medium to long-term, non-recourse mortgage loans, though our borrowing levels and terms vary depending upon the nature of the assets and the related financing. In addition, our Sponsor has made available our Sponsor Line to provide additional short-term liquidity as needed.

We are required to make recurring principal and interest payments on our borrowings. As of March 31, 2022, we had $939.6 million of consolidated asset-level borrowings outstanding and paid $13.3 million in recurring principal and interest payments on borrowings during the three months ended March 31, 2022. Our unconsolidated joint ventures also have significant asset level borrowings, which may require capital to be funded if favorable refinancing is not obtained.

During the three months ended March 31, 2022, the operator for the Arbors portfolio failed to remit contractual rent and satisfy other conditions under its leases, which resulted in defaults under the operator’s leases, and in turn, resulted in a non-monetary default under the mortgage notes collateralized by the properties as of March 31, 2022. We have remitted contractual debt service and are in compliance with the other contractual terms under the mortgage notes collateralized by the properties.

As the impact of COVID-19 continues to influence our investments’ performance, we may experience defaults in the future and it may have a negative impact on our ability to service or refinance our borrowings.

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, 2022, our leverage was 53.7% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of March 31, 2022, indirect leverage on assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation, held through our unconsolidated joint ventures was 59.5%.

For additional information regarding our borrowings, including principal repayments, timing of maturities and loans currently in default, refer to Note 5, “Borrowings” in our accompanying consolidated financial statements included in Part I, Item 1. “Financial Statements.”

Capital Expenditures Activities

We are responsible for capital expenditures for our operating properties and, from time to time, may also fund capital expenditures for certain net lease properties. We continue to invest capital into our operating portfolio in order to maintain market position, functional and operating standards, increase operating income, achieve property stabilization and enhance the overall value of our assets. However, there can be no assurance that these initiatives will achieve these intended results.

We are also party to certain agreements that contemplate development of healthcare properties funded by us and our joint venture partners. Although we may not be obligated to fund such capital contributions or capital projects, we may be subject to adverse consequences under our joint venture governing documents for any such failure to fund.

Realization and Disposition of Investments

We will actively pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return, improve our liquidity position and generate value for shareholders. We have made significant investments through both consolidated and unconsolidated joint ventures with third parties. We may share decision-making authority for these joint ventures that could prevent us from selling properties or our interest in the joint venture. In May 2022, we received a distribution totaling $16.0 million from the sale of 12 properties within our Espresso joint venture.

Further, as the impact of COVID-19 continues to influence the property's performance, it may have a negative impact on our ability to generate desired returns on dispositions.

Distributions

To continue to qualify as a REIT, we are required to distribute annually dividends equal to at least 90% of our taxable income, subject to certain adjustments, to stockholders. We have generated net operating losses for tax purposes and, accordingly, are currently not required to make distributions to our stockholders to qualify as a REIT. Refer to "—Distributions Declared and Paid" for further information regarding our distributions.

Repurchases

We adopted a share repurchase program, or the Share Repurchase Program, effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances. Our board of directors may amend, suspend or terminate our Share Repurchase Program at any time, subject to certain notice requirements. In October 2018, our board of directors approved an amended and restated Share Repurchase Program, under which we only repurchased shares in connection with the death or qualifying disability of a stockholder. On April 7, 2020, our board of directors suspended all repurchases under our existing Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity.

Other Commitments

We expect to continue to make payments to our Advisor, or its affiliates, pursuant to our advisory agreement, as applicable, in connection with the management of our assets and costs incurred by our Advisor in providing services to us. In connection with the Sponsor Transaction, our advisory agreement was renewed for an additional one-year term commencing on February 28, 2022. Refer to "—Related Party Arrangements" for further information regarding our advisory fees.

Cash Flows

The following presents a summary of our consolidated statements of cash flows (dollars in thousands):

	Three Months Ended March 31,		
Cash flows provided by (used in):	**2022**	**2021**	**2022 vs. 2021 Change**
Operating activities	$ (10,843)	$ (6,660)	$ (4,183)
Investing activities	4,716	44,675	(39,959)
Financing activities	(4,297)	(20,343)	16,046
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (10,424)	$ 17,672	$ (28,096)

Operating Activities

Net cash used in operating activities totaled $10.8 million for the three months ended March 31, 2022, as compared to $6.7 million net cash used in operating activities for the three months ended March 31, 2021. The change in cash flow from operating activities was a result of portfolio sales during the year ended December 31, 2021, which resulted in lower rent and resident fees collected during the three months ended March 31, 2022.

Investing Activities

Our cash flows from investing activities are primarily proceeds from investment dispositions, net of any capital expenditures. Net cash provided by investing activities was $4.7 million for the three months ended March 31, 2022 as compared to $44.7 million for the three months ended March 31, 2021. Cash flows provided by investing activities for the three months ended March 31, 2022 were from distributions received from our unconsolidated investments. Cash inflows were used to fund recurring capital expenditures for existing investments and for general operations. Cash flows provided by investing activities for the three months ended March 31, 2021 were from collections of outstanding principal on our real estate debt investment and proceeds from the sale of a property within our Aqua portfolio.

The following table presents cash used for capital expenditures, excluding our unconsolidated ventures (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	2022 vs. 2021 Change
Capital Expenditures	$ 2,337	$ 2,416	$ (79)

Financing Activities

Cash flows used in financing activities was $4.3 million for the three months ended March 31, 2022 compared to $20.3 million for the three months ended March 31, 2021. For the three months ended March 31, 2022, net cash flows used in financing activities were primarily continued principal amortization on our mortgage notes. Cash flows used in financing activities during the three months ended March 31, 2021, represented principal amortization and the repayment of the mortgage note payable that was collateralized by the property sold within our Aqua portfolio.

Off-Balance Sheet Arrangements

As of March 31, 2022, we are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in unconsolidated ventures. Refer to Note 4, "Investments in Unconsolidated Ventures" in Part I. Item 1. "Financial Statements" for a discussion of such unconsolidated ventures in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

Inflation

Macroeconomic trends such as increases in inflation and rising interest rates can have a substantial impact on our business and financial results. Many of our costs are subject to inflationary pressures. These include labor, repairs and maintenance, food costs, utilities, insurance and other operating costs. Our managers' ability to offset increased costs by increasing the rates charged to residents may be limited, therefore, cost inflation may substantially affect the net operating income of our operating properties as well as the ability of our net lease operator to make payments to us.

Distributions Declared and Paid

Since inception of our first investment, through March 31, 2022, we declared $433.8 million in distributions and generated cumulative FFO of $133.6 million. From the date of our first investment on April 5, 2013 through December 31, 2017, we declared an annualized distribution amount of $0.675 per share of our common stock. From January 1, 2018 through January 31, 2019, we declared an annualized distribution amount of $0.3375 per share of our common stock. Effective February 1, 2019, our board of directors suspended recurring distributions in order to preserve capital and liquidity. On April 20, 2022, our board of directors declared a Special Distribution of $0.50 per share, for each stockholder of record on May 2, 2022. The Special Distribution paid in cash on or around May 5, 2022 totaled $97.0 million. While we do not anticipate recurring dividends in the near future, in light of the cash flow generated by our investments as compared to our capital expenditure needs and debt service obligations, our board of directors will evaluate special distributions in connection with asset sales and other realizations of our investments on a case-by-case basis based on, among other factors, current and projected liquidity needs, opportunities for investment in our assets (such as capital expenditure and de-levering opportunities) and other strategic initiatives.

To the extent distributions are paid from sources other than FFO, the ownership interest of our public stockholders will be diluted. Future distributions declared and paid may exceed FFO and cash flow provided by operations. FFO, as defined, may not reflect actual cash available for distributions.

Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, our Advisor is responsible for managing our affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on our behalf. Our Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to our Advisor include our Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, our Advisor receives fees and reimbursements from us. Pursuant to our advisory agreement, our Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to our Advisor.

In connection with the Sponsor Transaction, our advisory agreement was renewed for an additional one-year term commencing on February 28, 2022, upon terms identical to those in effect through February 28, 2022, but for certain updates to remove our Former Sponsor and add NRF as our New Sponsor for certain limited provisions.

Fees to Advisor

Asset Management Fee

Effective January 1, 2018, our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared by our board of directors in connection with a sale, transfer or other disposition of a substantial portion of our assets. Effective July 1, 2021, the asset management fee is paid entirely in shares of our common stock at a price per share equal to the most recently published net asset value per share, and effective January 1, 2022, the fee is reduced if our corporate cash balances exceed $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

Incentive Fee

Our Advisor is entitled to receive distributions equal to 15.0% of our net cash flows, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital. From inception through March 31, 2022, our Advisor has not received any incentive fees.

Acquisition Fee

Effective January 1, 2018, our Advisor no longer receives an acquisition fee in connection with our acquisitions of real estate properties or debt investments.

Disposition Fee

Effective June 30, 2020, our Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments.

Reimbursements to Advisor

Operating Costs

Our Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by our Advisor in connection with administrative services provided to us. Our Advisor allocates, in good faith, indirect costs to us related to our Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with our Advisor. The indirect costs include our allocable share of our Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing our affairs, based upon the percentage of time devoted by such personnel to our affairs. The indirect costs also include rental and occupancy, technology, office supplies and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to our executive officers (although there may be reimbursement for certain executive officers of our Advisor) and other personnel involved in activities for which our Advisor receives an acquisition fee or a disposition fee. Our Advisor allocates these costs to us relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with our board of directors, including our independent directors. Our Advisor updates our board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. We reimburse our Advisor quarterly for operating costs (including the asset management fee) based on a calculation, or the 2%/25% Guidelines, for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of our average invested assets; or (ii) 25.0% of our net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, we may reimburse our Advisor for expenses in excess of this limitation if a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. We calculate the expense reimbursement quarterly based upon the trailing twelve-month period. As of March 31, 2022, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred and paid to our Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2021	Three Months Ended March 31, 2022 Incurred	Three Months Ended March 31, 2022 Paid	Due to Related Party as of March 31, 2022 (Unaudited)
Fees to Advisor Entities					
Asset management	Asset management fees-related party	$ 937	$ 2,647	$ (2,729)	$ 855
Reimbursements to Advisor Entities					
Operating costs	General and administrative expenses	6,401	3,286	(6,401)	3,286
Total		$ 7,338	$ 5,933	$ (9,130)	$ 4,141

Pursuant to our advisory agreement, for the three months ended March 31, 2022, we issued 0.7 million shares totaling $2.7 million based on the estimated value per share on the date of each issuance, to an affiliate of our Advisor as part of its asset management fee. As of March 31, 2022, our Advisor, our Sponsor and their affiliates owned a total of 8.1 million shares, or $31.7 million of our common stock based on our most recent estimated value per share. As of March 31, 2022, our Advisor, our Sponsor and their affiliates owned 4.2% of the total outstanding shares of our common stock.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, who owns 80.0%, and us, who owns 20.0%. For the three months ended March 31, 2022, we recognized property management fee expense of $1.3 million paid to Solstice related to the Winterfell portfolio.

The below table indicates our investments for which our Sponsor is also an equity partner in the joint venture. Each investment was approved by our board of directors, including all of its independent directors. Refer to Note 4, "Investments in Unconsolidated Ventures" of Part I, Item 1. "Financial Statements" for further discussion of these investments:

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	NRF and Partner/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK	NRF and Partner	December 2014	14.3%

Line of Credit - Related Party

In October 2017, we obtained our Sponsor Line, which was approved by our board of directors, including all of our independent directors. In April 2020, we borrowed $35.0 million under the Sponsor Line to improve our liquidity position in response to the COVID-19 pandemic. In July 2021, we repaid, in full, the $35.0 million outstanding borrowing and as of March 31, 2022, we had no outstanding borrowings under our Sponsor Line. Our Sponsor Line has a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR and has a maturity date of February 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily subject to interest rate risk and credit risk. These risks are dependent on various factors beyond our control, including monetary and fiscal policies, domestic and international economic conditions and political considerations. Our market risk sensitive assets, liabilities and related derivative positions (if any) are held for investment and not for trading purposes.

Interest Rate Risk

Changes in interest rates may affect our net income as a result of changes in interest expense incurred in connection with floating-rate borrowings used to finance our equity investments. As of March 31, 2022, 14.0% of our total borrowings were floating-rate liabilities, which are related to mortgage notes payable of our direct operating investments.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs by borrowing primarily at fixed rates or variable rates with the lowest margins available and by evaluating hedging opportunities.

For longer duration, relatively stable real estate cash flows, such as those derived from net lease assets, we seek to use fixed rate financing. For real estate cash flows with greater growth potential, such as operating properties, we may use floating-rate financing which provides prepayment flexibility and may provide a better match between underlying cash flow projections and potential increases in interest rates.

The interest rate on our floating-rate liabilities is a fixed spread over an index such as LIBOR and typically reprices every 30 days based on LIBOR in effect at the time. As of March 31, 2022, a hypothetical 100 basis point increase in interest rates would increase net interest expense by $1.3 million annually.

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority, or FCA, announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. The FCA subsequently announced on March 5, 2021 that the publication of LIBOR will cease for the one-week and two-month USD LIBOR settings immediately after December 31, 2021, and the remaining USD LIBOR settings immediately after June 30, 2023. Based on undertakings received from the panel banks, the FCA does not expect that any LIBOR settings will become unrepresentative before these dates. Nevertheless, the U.S. Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation have issued guidance encouraging market participants to adopt alternatives to LIBOR in new contracts as soon as practicable.

The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Credit Risk

We are subject to the credit risk of the operators of our healthcare properties. Where appropriate, we may seek to augment the operator's commitment to the facility by structuring various credit enhancement mechanisms into the underlying leases. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy. In addition, we actively monitor lease coverage at each facility within our healthcare portfolio. The extent of pending or future healthcare regulation may have a material impact on the valuation and financial performance of this portion of our portfolio.

Risk Concentration

The following table presents the operators and managers of our properties, excluding properties owned through unconsolidated joint ventures (dollars in thousands):

	As of March 31, 2022		Three Months Ended March 31, 2022	
Operator / Manager	**Properties Under Management**	**Units Under Management[(1)]**	**Property and Other Revenues[(2)]**	**% of Total Property and Other Revenues**
Solstice Senior Living[(3)]	32	4,000	$ 26,068	60.2 %
Watermark Retirement Communities	14	1,753	11,028	25.4 %
Avamere Health Services	5	453	4,771	11.0 %
Integral Senior Living	1	44	1,198	2.8 %
Arcadia Management[(4)]	4	572	249	0.6 %
Other[(5)]	—	—	18	— %
Total	56	6,822	$ 43,332	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties, as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs and MCFs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) During the three months ended March 31, 2022, we recorded rental income to the extent rental payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As a result, we are dependent upon their personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections. As Solstice is a joint venture formed exclusively to operate the Winterfell portfolio, Solstice has generated, and may continue to generate, operating losses if declines in occupancy and operating revenues at our Winterfell portfolio continue.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management established and maintains disclosure controls and procedures that are designed to ensure that material information relating to us and our subsidiaries required to be disclosed in reports that are filed or submitted under the Securities Exchange Act of 1934, as amended, or Exchange Act, are recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, management conducted an evaluation as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act).

Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures to disclose material information otherwise required to be set forth in the Company’s periodic reports.

Our internal control framework, which includes controls over financial reporting and disclosure, continues to operate effectively. Considering the COVID-19 pandemic, we have supplemented our framework by instituting certain entity level procedures and controls that ensure communication amongst our team that enhances our ability to prevent and detect material errors and omissions.

Internal Control over Financial Reporting

Changes in Internal Control over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

We may be involved in various litigation matters arising in the ordinary course of our business. The effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation-related costs. Although we are unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, any current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC on March 18, 2022, except as noted below.

If we pay distributions from sources other than our cash flow provided by operations, we will have less cash available for investments and your overall return may be reduced.

Our organizational documents permit us to pay distributions from any source, including offering proceeds, borrowings, our Advisor's agreement to defer, reduce or waive fees (or accept, in lieu of cash, shares of our common stock) or sales of assets or we may make distributions in the form of taxable stock dividends. We have not established a limit on the amount of proceeds we may use to fund distributions. We have funded distributions in excess of our cash flow from operations. From February 2019 through March 2022, we did not declare any distributions.

We may not have sufficient cash available to pay distributions at the rate we had paid during preceding periods or at all. If we pay distributions from sources other than our cash flow provided by operations, our book value may be negatively impacted and stockholders' overall return may be reduced. In May 2022, we paid a special distribution, which totaled $97.0 million, from sources other than our cash flow provided by operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We adopted our Share Repurchase Program effective August 7, 2012 which enabled stockholders to sell their shares to us in limited circumstances. On April 7, 2020, our board of directors determined to suspend all repurchases under our Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity.

We are not obligated to repurchase shares under our Share Repurchase Program when our Share Repurchase Program is in effect. Our board of directors may, in its sole discretion, amend, suspend or terminate our Share Repurchase Program at any time provided that any amendment that adversely affects the rights or obligations of a participant (as determined in the sole discretion of our board of directors) will only take effect upon ten days' prior written notice except that changes in the number of shares that can be repurchased during any calendar year will take effect only upon ten business days' prior written notice. In addition, our Share Repurchase Program will terminate in the event a secondary market develops for our shares or if our shares are listed on a national exchange or included for quotation in a national securities market.

For the three months ended March 31, 2022, we have not repurchased any shares of our common stock.

Unregistered Sales of Equity Securities

On January 31, 2022 and February 28, 2022 we issued 239,769 shares of common stock at $3.91 per share, respectively, to our Advisor as part of its asset management fee, pursuant to our advisory agreement. On March 31, 2022 we issued 218,311 shares of common stock at $3.91 per share to our Advisor as part of its asset management fee, pursuant to our advisory agreement. These shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

Item 4. Mine Safety Disclosures

Not applicable.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.1 to Pre-Effective Amendment No. 7 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
3.2	Certificate of Correction of the Articles of Amendment and Restatement of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference)
3.3	Fourth Amended and Restated Bylaws of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference)
4.1	Amended and Restated Distribution Reinvestment Plan (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 8, 2016 and incorporated herein by reference)
10.1	Amendment No. 4 to Advisory Agreement dated as of February 28, 2022 by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC, DigitalBridge Group, Inc. and NRF Holdco, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 4, 2022 and incorporated herein by reference)
31.1*	Certification by the Chief Executive Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

SIGNATURES

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

NorthStar Healthcare Income, Inc.

Date: May 13, 2022

By: /s/ RONALD J. JEANNEAULT
Name: Ronald J. Jeanneault
Title: *Chief Executive Officer, President and Vice Chairman*

By: /s/ PAUL V. VARISANO
Name: Paul V. Varisano
Title: *Chief Financial Officer and Treasurer*

Exhibit 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO 17 CFR 240.13a-14(a)/15(d)-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Jeanneault, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ RONALD J. JEANNEAULT

Name: Ronald J. Jeanneault

Title: *Chief Executive Officer, President and Vice Chairman*

Date: May 13, 2022

Exhibit 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul V. Varisano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ PAUL V. VARISANO

Name: Paul V. Varisano

Title: *Chief Financial Officer and Treasurer*

Date: May 13, 2022

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc. (the "Company") for the three months ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald J. Jeanneault, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

By: /s/ RONALD J. JEANNEAULT
Ronald J. Jeanneault
Chief Executive Officer, President and Vice Chairman

Date: May 13, 2022

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc. (the "Company") for the three months ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Paul V. Varisano, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

By: /s/ PAUL V. VARISANO
Paul V. Varisano
Chief Financial Officer and Treasurer
Date: May 13, 2022

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.