

**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, 2024

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 (IRS Employer
Incorporation or Organization) Identification No.)

575 Lexington Avenue, 14th Floor, New York, NY 10022
(Address of Principal Executive Offices, Including Zip Code)

(929) 777-3135
(Registrant's Telephone Number, Including Area Code)

16 East 34th Street, 18th Floor,
New York, NY 10016
(Former name or former address, if changed since last report.)

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, 185,712,103 shares outstanding as of May 7, 2024.

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 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 ability to retain our senior executives and other sufficient personnel to manage our business; our ability to realize substantial efficiencies as well as anticipated strategic and financial benefits of the internalization of our management function; 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, 2023 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, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and cash equivalents	\$ 80,989	\$ 85,037
Restricted cash	6,191	7,906
Operating real estate, net	815,400	821,270
Investments in unconsolidated ventures (\$142 held at fair value as of March 31, 2024 and December 31, 2023)	123,963	122,949
Assets held for sale	495	11,611
Receivables, net	1,857	1,558
Intangible assets, net	1,832	1,916
Other assets	6,404	7,172
Total assets⁽¹⁾	\$ 1,037,131	\$ 1,059,419
Liabilities		
Mortgage notes payable, net	\$ 883,839	\$ 898,154
Due to related party	—	121
Escrow deposits payable	874	507
Accounts payable and accrued expenses	27,271	27,502
Other liabilities	1,483	1,455
Total liabilities⁽¹⁾	913,467	927,739
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, 2024 and December 31, 2023	—	—
Common stock, \$0.01 par value, 400,000,000 shares authorized, 185,712,103 shares issued and outstanding as of March 31, 2024 and December 31, 2023	1,857	1,857
Additional paid-in capital	1,716,813	1,716,757
Retained earnings (accumulated deficit)	(1,593,657)	(1,585,725)
Total NorthStar Healthcare Income, Inc. stockholders' equity	125,013	132,889
Non-controlling interests	(1,349)	(1,209)
Total equity	123,664	131,680
Total liabilities and equity	\$ 1,037,131	\$ 1,059,419

(1) Includes \$107.6 million and \$174.9 million of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership as of March 31, 2024. 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,	
	2024	2023
Property and other revenues		
Resident fee income	\$ 12,296	\$ 11,850
Rental income	35,559	36,999
Other revenue	897	719
Total property and other revenues	48,752	49,568
Expenses		
Property operating expenses	33,381	35,077
Interest expense	12,862	11,359
Transaction costs	16	97
General and administrative expenses	3,327	3,910
Depreciation and amortization	8,901	9,649
Impairment loss	456	—
Total expenses	58,943	60,092
Other income (loss)		
Other income, net	1,000	132
Gain (loss) on investments and other	150	332
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	(9,041)	(10,060)
Equity in earnings (losses) of unconsolidated ventures	1,014	(3,922)
Income tax expense	(20)	(15)
Net income (loss)	(8,047)	(13,997)
Net (income) loss attributable to non-controlling interests	115	71
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	\$ (7,932)	\$ (13,926)
Net income (loss) per share of common stock, basic/diluted ⁽¹⁾	\$ (0.04)	\$ (0.07)
Weighted average number of shares of common stock outstanding, basic/diluted ⁽¹⁾	185,712,103	195,421,656
Distributions declared per share of common stock	\$ —	\$ —

(1) The Company had issued 203,742 and 116,712 restricted stock units as of March 31, 2024 and 2023, respectively. The restricted stock units have been excluded from the diluted earnings per share calculation as their impact is anti-dilutive due to the net loss generated during the three months ended March 31, 2024 and 2023.

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,	
	2024	2023
Net income (loss)	\$ (8,047)	\$ (13,997)
Other comprehensive income (loss)		
Foreign currency translation adjustments related to investment in unconsolidated venture	—	1,248
Total other comprehensive income (loss)	—	1,248
Comprehensive income (loss)	(8,047)	(12,749)
Comprehensive (income) loss attributable to non-controlling interests	115	71
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	\$ (7,932)	\$ (12,678)

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, 2022	195,422	\$ 1,954	\$ 1,729,589	\$ (1,428,840)	\$ (3,679)	\$ 299,024	\$ 2,048	\$ 301,072
Non-controlling interests - contributions	—	—	—	—	—	—	45	45
Non-controlling interests - distributions	—	—	—	—	—	—	(22)	(22)
Other comprehensive income (loss)	—	—	—	—	1,248	1,248	—	1,248
Net income (loss)	—	—	—	(13,926)	—	(13,926)	(71)	(13,997)
Balance as of March 31, 2023 (Unaudited)	<u>195,422</u>	<u>\$ 1,954</u>	<u>\$ 1,729,589</u>	<u>\$ (1,442,766)</u>	<u>\$ (2,431)</u>	<u>\$ 286,346</u>	<u>\$ 2,000</u>	<u>\$ 288,346</u>
Balance as of December 31, 2023	185,712	\$ 1,857	\$ 1,716,757	\$ (1,585,725)	\$ —	\$ 132,889	\$ (1,209)	\$ 131,680
Amortization of equity-based compensation	—	—	56	—	—	56	—	56
Non-controlling interests - contributions	—	—	—	—	—	—	13	13
Non-controlling interests - distributions	—	—	—	—	—	—	(38)	(38)
Net income (loss)	—	—	—	(7,932)	—	(7,932)	(115)	(8,047)
Balance as of March 31, 2024 (Unaudited)	<u>185,712</u>	<u>\$ 1,857</u>	<u>\$ 1,716,813</u>	<u>\$ (1,593,657)</u>	<u>\$ —</u>	<u>\$ 125,013</u>	<u>\$ (1,349)</u>	<u>\$ 123,664</u>

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,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (8,047)	\$ (13,997)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in (earnings) losses of unconsolidated ventures	(1,014)	3,922
Depreciation and amortization	8,901	9,649
Impairment loss	456	—
Amortization of below market debt	844	824
Amortization of deferred financing costs	140	155
Amortization of equity-based compensation	56	57
(Gain) loss on investments and other	178	(332)
Change in allowance for uncollectible accounts	139	167
Changes in assets and liabilities:		
Receivables	(438)	587
Other assets	628	(374)
Due to related party	(121)	(208)
Escrow deposits payable	367	330
Accounts payable and accrued expenses	(1,203)	(4,445)
Other liabilities	41	129
Net cash provided by (used in) operating activities	927	(3,536)
Cash flows from investing activities:		
Capital expenditures for operating real estate	(2,926)	(3,810)
Sales of real estate	11,573	135
Distributions from unconsolidated ventures	—	2,334
Sales of other assets	—	523
Net cash provided by (used in) investing activities	8,647	(818)
Cash flows from financing activities:		
Repayments of mortgage notes	(15,299)	(4,819)
Payments on financing and other obligations	(13)	(32)
Contributions from non-controlling interests	13	45
Distributions to non-controlling interests	(38)	(22)
Net cash provided by (used in) financing activities	(15,337)	(4,828)
Net increase (decrease) in cash, cash equivalents and restricted cash	(5,763)	(9,182)
Cash, cash equivalents and restricted cash-beginning of period	92,943	115,660
Cash, cash equivalents and restricted cash-end of period	\$ 87,180	\$ 106,478

	Three Months Ended March 31,	
	2024	2023
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 8,673	\$ 10,434
Supplemental disclosure of non-cash investing and financing activities:		
Accrued capital expenditures	\$ 972	\$ 1,071
Reclassification of assets held for sale	534	—

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”), owns a diversified portfolio of seniors housing properties, including independent living facilities (“ILF”), assisted living facilities (“ALF”) and memory care facilities (“MCF”) located throughout the United States. In addition, the Company has an investment through a non-controlling interest in a joint venture that invests in integrated senior health campuses, which provide services associated with ILFs, ALFs, MCFs and skilled nursing facilities (“SNF”), across the Midwest region of the United States.

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 and NorthStar Healthcare Income OP Holdings, LLC (the “Special Unit Holder”), which became indirect subsidiaries of the Company on June 9, 2023. NorthStar Healthcare Income Advisor, LLC 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 were collectively recorded as non-controlling interests on the accompanying consolidated balance sheets prior to June 9, 2023. 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, 2024, the Company’s limited partnership interest in the Operating Partnership, directly or indirectly, was 100%.

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 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”).

The Internalization

From inception through October 21, 2022, the Company was externally managed by CNI NSHC Advisors, LLC or its predecessor (the “Former Advisor”), an affiliate of NRF Holdco, LLC (the “Former Sponsor”). The Former Advisor was responsible for managing the Company’s operations, subject to the supervision of the Company’s board of directors, pursuant to an advisory agreement. On October 21, 2022, the Company completed the internalization of the Company’s management function (the “Internalization”). In connection with the Internalization, the Company agreed with the Former Advisor to terminate the advisory agreement and arranged for the Former Advisor to continue to provide certain services for a transition period.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying 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, 2023, which was filed with the U.S. Securities and Exchange Commission on March 22, 2024.

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

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.

As of March 31, 2024, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs 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 VIEs of the Company are certain entities that are consolidated by the Operating Partnership. These entities are VIEs because of non-controlling interests owned by third parties, which do not have substantive kick-out or participating rights. Included in operating real estate, net and mortgage notes payable, net on the Company’s consolidated balance sheet as of March 31, 2024 is \$100.3 million and \$160.8 million, respectively, related to such consolidated VIEs.

Unconsolidated VIEs

As of March 31, 2024, the Company identified unconsolidated VIEs related to its investments in unconsolidated ventures with a carrying value of \$124.0 million. The Company’s maximum exposure to loss as of March 31, 2024 would not exceed the carrying value of its investment in the VIEs. 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, 2024. The Company did not provide financial support to its unconsolidated VIEs during the three months ended March 31, 2024. As of March 31, 2024, 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

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

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.

The Company may elect the fair value option of accounting for an investment that would otherwise be accounted for under the equity method. The fair value option election allows an entity to make an irrevocable election of fair value for certain financial assets and liabilities on an instrument-by-instrument basis at the initial or subsequent measurement. The decision to elect the fair value option must be applied to an entire instrument and is irrevocable once elected. Under the fair value option, the Company records its share of the changes to fair value of the investment and any unrealized gains and losses.

On June 30, 2023, the Company elected the fair value option method to account for its investment in the Espresso joint venture, which is included in investments in unconsolidated ventures on the consolidated balance sheets. The Company's assessment for the recoverability of its investment took into consideration the joint venture's remaining assets and estimated future cash distributions, less transaction and wind down costs. The Company will record any changes to its investment's fair value in gain (loss) on investments and other in the consolidated statements of operations. From the date of the election of fair value through March 31, 2024, the Company did not record any changes to the fair value of its investment in the Espresso joint venture. Refer to Note 4 "Investment in Unconsolidated Ventures" and Note 10 "Fair Value" for further discussion.

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 the relevant 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 inflation, rising interest rates, risk of recession and other economic conditions 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

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

financial institutions and money market funds invested in short-term U.S. government securities. 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, 2024 (Unaudited)	December 31, 2023
Cash and cash equivalents	\$ 80,989	\$ 85,037
Restricted cash	6,191	7,906
Total cash, cash equivalents and restricted cash	<u>\$ 87,180</u>	<u>\$ 92,943</u>

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:

<u>Category:</u>	<u>Term:</u>
Building	39 to 49 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, 2024, furniture, fixtures and equipment under finance leases totaled \$0.2 million. The leased equipment is amortized on a straight-line basis. Payments for finance leases totaled \$9,399 and \$29,070 for the three months ended March 31, 2024 and 2023, respectively.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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, 2024	\$	28
Years Ending December 31:		
2025	\$	38
2026		33
2027		18
2028		10
Total minimum lease payments	\$	127
Less: Amount representing interest		(20)
Present value of minimum lease payments	\$	107

The weighted average interest rate related to the finance lease obligations is 6.6% with a weighted average lease term of 3.6 years.

As of March 31, 2024, 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.

In March 2024, the Company entered into an agreement to sell a land parcel within the Rochester portfolio for \$0.5 million, and as of March 31, 2024, has classified the property as held for sale on its consolidated balance sheets. At the time of the reclassification to held for sale, the Company recorded an impairment loss of \$39,000. As of December 31, 2023, the Company had one property within the Rochester portfolio classified as held for sale, which was sold in February 2024.

Intangible Assets and Deferred Costs

Deferred Costs

Deferred costs consist of deferred financing 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 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.

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.

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

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

	March 31, 2024 (Unaudited)	December 31, 2023
In-place lease value	\$ 120,149	\$ 120,149
Less: Accumulated amortization	(118,317)	(118,233)
Intangible assets, net	\$ 1,832	\$ 1,916

The Company recorded \$0.1 million of amortization expense for in-place leases for the three months ended March 31, 2024 and 2023.

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

April 1 through December 31, 2024	\$ 253
Years Ending December 31:	
2025	337
2026	337
2027	337
2028	337
Thereafter	231
Total	\$ 1,832

Derivative Instruments

The Company uses derivative instruments to manage its interest rate risk. The Company's derivative instruments are recorded at fair value. The accounting for changes in fair value of derivatives depends upon whether or not the Company has elected to designate the derivative in a hedging relationship and the derivative qualifies for hedge accounting. Under hedge accounting, changes in fair value for derivatives are recorded through other comprehensive income. When hedge accounting is not elected, changes in fair value for derivatives are recorded through the income statement.

The Company has interest rate caps that have not been designated for hedge accounting. The fair value of the Company's interest rate caps totaled \$0.2 million and \$0.4 million as of March 31, 2024 and December 31, 2023, respectively, and are included in other assets on the consolidated balance sheets. Changes in fair value of derivatives have been recorded in gain (loss) on investments and other in the consolidated statements of operations. The Company recognized losses totaling \$0.1 million and \$0.2 million for the three months ended March 31, 2024 and 2023, respectively.

Revenue Recognition

Operating Real Estate

Rental income from operating real estate is derived from leasing of space to operators and residents, 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, which includes community and move-in fees, is recognized 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 and MCFs 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. This assessment is based on several qualitative and quantitative factors, including and as appropriate, the payment

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

Beginning in February 2021, the operator of the Company's 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 foreseeable future. On March 27, 2023, the Company entered into a lease forbearance and modification agreement (the "Forbearance Agreement") with the existing operator, pursuant to which, among other things, the Company will be entitled to receive all cash flow in excess of permitted expenses, and be required to fund any operating deficits, through 2025, subject to the terms and conditions thereof. For the three months ended March 31, 2024 and 2023, the Company did not receive any excess cash flow or fund any operating deficits and, as such, did not record any rental income related to its net lease properties.

For the three months ended March 31, 2024 and 2023, total property and other revenue includes variable lease revenue of \$3.5 million and \$3.4 million, respectively. Variable lease revenue includes ancillary services provided to residents, as well as non-recurring services and fees at the Company's operating facilities.

Impairment on Operating Real Estate and Investments in Unconsolidated Ventures

Operating Real Estate and Assets Held for Sale

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 lasting effects of inflation, rising interest rates, risk of recession and other economic conditions 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, 2024, the Company recorded impairment losses on its operating real estate totaling \$0.5 million to reflect the market value of a land parcel within the Rochester portfolio designated as held for sale and for property damage sustained by facilities within the Winterfell and Aqua portfolios.

During the three months ended March 31, 2023, the Company did not record any impairment losses on its operating real estate.

Investments in Unconsolidated Ventures

The Company reviews its investments in unconsolidated ventures 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 on the Company's investment in unconsolidated ventures, 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 impairment loss in the consolidated statements of operations.

During the three months ended March 31, 2024 and 2023, 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.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
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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, 2024, the Company has not recorded an allowance for credit losses on its receivables.

Acquisition Fees and Expenses

The Company recorded an expense for certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidated the asset and capitalized these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

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.

For the taxable year ended December 31, 2023, the Company anticipates that its REIT taxable income, if any, will be offset by its net operating loss carry-forward and as such, the Company will not be subject to the distribution requirements. The Company's most recently filed tax return is for the year ended December 31, 2022 and includes a net operating loss carry-forward of \$248.5 million.

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 2019 to 2023, 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.

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

The Company recorded an income tax expense of \$20,000 and \$15,000 for the three months ended March 31, 2024 and 2023, respectively.

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 expense in the consolidated statements of operations. The Company has a deferred tax asset 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 components of the Company’s deferred tax assets as of March 31, 2024 and December 31, 2023 are as follows (in thousands):

	March 31, 2024 (Unaudited)	December 31, 2023
Fixed assets and other	\$ 634	\$ 656
Net operating losses	16,079	15,827
Total deferred tax assets	\$ 16,713	\$ 16,483
Valuation allowance	(16,713)	(16,483)
Net deferred income tax assets	\$ —	\$ —

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 was foreign currency translation adjustments related to its investment in an unconsolidated venture.

Foreign Currency

The Company is no longer exposed to foreign currency as a result of the Sale of Minority Interests (as defined in Note 4, “Investments in Unconsolidated Ventures”). Prior to the Sale of Minority Interests on June 9, 2023, the Company had exposure to foreign currency through an investment in an unconsolidated venture, the effects of which were recorded as a component of accumulated OCI in the consolidated statements of equity and in equity in earnings (losses) in the consolidated statements of operations. Upon the Sale of Minority Interests, the accumulated foreign currency losses were reclassified to gain (loss) on investments and other on the consolidated statements of operations.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
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Recent Accounting Pronouncements

Accounting Standards Adopted in 2024

None.

Future Application of Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis, primarily through enhanced disclosures of significant segment expenses. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and requires retrospective application to all periods presented upon adoption. Early adoption is permitted. The Company plans to adopt ASU No. 2023-07 on its Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and does not anticipate the application of the accounting standards will have a material impact on the Company’s financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company plans to adopt ASU No. 2023-09 on its Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and does not anticipate the application of the accounting standards will have a material impact on the Company’s financial statements.

3. Operating Real Estate

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

	March 31, 2024 (Unaudited)	December 31, 2023
Land	\$ 115,225	\$ 115,758
Land improvements	12,819	12,705
Buildings and improvements	865,304	861,452
Tenant improvements	372	372
Construction in progress	3,635	5,493
Furniture, fixtures and equipment	94,746	93,373
Subtotal	\$ 1,092,101	\$ 1,089,153
Less: Accumulated depreciation	(276,701)	(267,883)
Operating real estate, net	\$ 815,400	\$ 821,270

For the three months ended March 31, 2024 and 2023, depreciation expense was \$8.8 million and \$9.6 million, respectively.

Within the table above, operating real estate has been reduced by accumulated impairment losses of \$163.3 million and \$162.9 million as of March 31, 2024 and December 31, 2023, respectively. Impairment losses, as presented on the consolidated statements of operations, for the Company’s operating real estate and properties held for sale totaled \$0.5 million for the three months ended March 31, 2024. There were no impairment losses recorded for the three months ended March 31, 2023. Refer to Note 2, “Summary of Significant Accounting Policies” for further discussion.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
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The following table presents the operators and managers of the Company’s operating real estate (dollars in thousands):

Operator / Manager	As of March 31, 2024		Three Months Ended March 31, 2024	
	Properties Under Management	Units Under Management ⁽¹⁾	Property and Other Revenues ⁽²⁾	% of Total Property and Other Revenues
Solstice Senior Living ⁽³⁾	32	3,969	\$ 33,695	69.1 %
Watermark Retirement Communities ⁽⁴⁾	6	723	7,346	15.1 %
Avamere Health Services	5	453	5,690	11.7 %
Integral Senior Living	1	40	1,141	2.3 %
Arcadia Management ⁽⁵⁾	4	564	—	— %
Other ⁽⁶⁾	—	—	880	1.8 %
Total	48	5,749	\$ 48,752	100.0 %

- (1) Represents rooms for ALFs, ILFs and MCFs.
- (2) Includes rental income received from the Company’s net lease properties, 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 Integral Senior Living own 80%.
- (4) Property count and units exclude the properties within the Rochester Sub-Portfolio, which were placed into a receivership in October 2023.
- (5) During the three months ended March 31, 2024, the Company did not record any rental income from its net lease operator.
- (6) Consists primarily of interest income earned on corporate-level cash and cash equivalents.

Rochester Sub-Portfolio

As a result of the mortgage loan payment defaults in July 2023, on October 30, 2023, the Rochester Sub-Portfolio (as defined in Note 5, “Borrowings”) was placed into a receivership. The receiver now has effective control of the properties until ownership of the properties transfers to the lender or its designee.

As a result of the loss of control, the Company discontinued recognizing revenues and expenses related to the Rochester Sub-Portfolio as of October 30, 2023 and derecognized the properties and related assets from the Company’s financial statements, which resulted in a \$59.0 million loss recognized in accordance with ASC 610-20, “Gains and Losses from the Derecognition of Nonfinancial Assets.”

Arbors Portfolio

Beginning in February 2021, Arcadia Management, the operator of the Company’s four net lease properties in the Arbors portfolio, failed to remit contractual monthly rent obligations. The Company deemed it not probable that these obligations will be satisfied in the foreseeable future and began recognizing rental income as received on a cash basis. During the three months ended March 31, 2024, the Company did not record any rental income related to its net lease properties.

4. Investments in Unconsolidated Ventures

The Company’s investments in unconsolidated ventures are accounted for under the equity method or fair value option. The following table presents the Company’s investments in unconsolidated ventures (dollars in thousands):

Portfolio	Acquisition Date	Ownership	Carrying Value	
			March 31, 2024 (Unaudited)	December 31, 2023
Trilogy	Dec-2015	23.8 %	\$ 123,391	\$ 122,339
Solstice	Jul-2017	20.0 %	430	468
Espresso	Jul-2015	36.7 %	142	142
Investments in Unconsolidated Ventures			\$ 123,963	\$ 122,949

Trilogy

Trilogy Investors, LLC (“Trilogy”) indirectly owns 126 integrated senior health campuses located in the Midwest, which are all operating properties managed pursuant to a management agreement with Trilogy Management Services, as well as ancillary services businesses, including a therapy business and a pharmacy business. Affiliates of American Healthcare REIT, Inc. (“AHR”) own approximately 75.4% of Trilogy, with management of Trilogy owning the remaining 0.8%.

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In November 2023, the Company entered into an agreement giving AHR the right to purchase the Company’s ownership interests in Trilogy at any time prior to September 30, 2025, assuming AHR exercises all of its extension options and subject to satisfaction of certain closing conditions, ranging from \$240.5 million to up to \$260 million depending upon the purchase price consideration, timing of the closing and certain additional fees that AHR may pay us in the interim.

Solstice

Solstice Senior Living, LLC (“Solstice”), the manager of the Winterfell portfolio, 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%.

Espresso

During the year ended December 31, 2023, the Espresso joint venture completed the sale of its remaining sub-portfolios. The Company’s elected the fair value option method to account for its investment in the Espresso joint venture on June 30, 2023. As of March 31, 2024, the remaining carrying value represents the Company’s proportionate share of available cash, less wind down costs and other expenses.

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

	Three Months Ended March 31,			
	2024		2023	
Portfolio	Equity in Earnings (Losses)	Cash Distribution	Equity in Earnings (Losses)	Cash Distribution
Trilogy	\$ 1,052	\$ —	\$ (309)	\$ 2,334
Solstice	(38)	—	(29)	—
Espresso ⁽¹⁾	—	—	109	—
Investments sold	—	—	(3,693)	—
Total	\$ 1,014	\$ —	\$ (3,922)	\$ 2,334

(1) The Company elected to the fair value option method to account for the joint venture on June 30, 2023, which resulted in no equity in earnings (losses) recorded subsequent to the accounting policy election.

Investments Sold

In June 2023, the Company sold its 14% interest in Healthcare GA Holdings, General Partnership, which indirectly owned 48 care homes across the United Kingdom (the “Diversified US/UK Portfolio”), and its 6% interest in Eclipse Health, General Partnership, which indirectly owned 34 seniors housing facilities (the “Eclipse Portfolio”), together with \$1.1 million in cash, to its Former Sponsor, who is affiliated with the majority partner of each joint venture, for all of the Company’s equity securities held by the Former Sponsor and its affiliates, including 9,709,553 shares of common stock of the Company, 100 common units in the Operating Partnership and 100 special units in the Operating Partnership (the “Sale of Minority Interests”). Upon completion of the Sale of Minority Interests, the Company retired all of the shares of common stock acquired.

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5. Borrowings

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

	Recourse vs. Non-Recourse ⁽¹⁾	Initial Maturity	Contractual Interest Rate ⁽²⁾	March 31, 2024 (Unaudited)		December 31, 2023	
				Principal Amount ⁽³⁾	Carrying Value ⁽³⁾	Principal Amount ⁽³⁾	Carrying Value ⁽³⁾
<i>Aqua Portfolio</i>							
Frisco, TX	Non-recourse	Feb 2026	SOFR + 2.91%	\$ 26,000	\$ 25,728	\$ 26,000	\$ 25,694
Milford, OH	Non-recourse	Sep 2026	SOFR + 2.79%	18,133	17,992	18,173	18,015
<i>Rochester Portfolio</i>							
Rochester, NY	Non-recourse	Feb 2025	4.25%	17,282	17,263	17,470	17,448
Rochester, NY ⁽⁴⁾	Non-recourse	Jul 2023	SOFR + 2.45%	99,786	99,786	99,786	99,786
Rochester, NY ⁽⁵⁾	Non-recourse	Repaid	SOFR + 2.93%	—	—	10,874	10,853
<i>Arbors Portfolio⁽⁶⁾</i>							
Various locations	Non-recourse	Feb 2025	3.99%	80,874	80,732	81,397	81,209
<i>Winterfell Portfolio⁽⁷⁾</i>							
Various locations	Non-recourse	Jun 2025	4.17%	580,135	576,202	583,471	578,694
<i>Avamere Portfolio⁽⁸⁾</i>							
Various locations	Non-recourse	Feb 2027	4.66%	66,353	66,136	66,691	66,455
Mortgage notes payable, net				\$ 888,563	\$ 883,839	\$ 903,862	\$ 898,154

- (1) Subject to non-recourse carve-outs.
- (2) Floating-rate borrowings total \$143.9 million of principal outstanding and reference one-month of the Secured Overnight Financing Rate ("SOFR").
- (3) 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.
- (4) Composed of seven individual mortgage notes payable secured by the Rochester Sub-Portfolio (as defined below), cross-collateralized and subject to cross-default.
- (5) Upon the sale of the underlying collateral property, the mortgage note was repaid in full in February 2024.
- (6) Composed of four individual mortgage notes payable secured by four healthcare real estate properties, cross-collateralized and subject to cross-default.
- (7) Composed of 32 individual mortgage notes payable secured by 32 healthcare real estate properties, cross-collateralized and subject to cross-default.
- (8) Composed of five individual mortgage notes payable secured by five healthcare real estate properties, cross-collateralized and subject to cross-default.

The following table presents future scheduled principal payments on mortgage notes payable based on initial maturity as of March 31, 2024 (dollars in thousands):

April 1 through December 31, 2024 ⁽¹⁾	\$ 113,275
Years Ending December 31:	
2025	667,741
2026	45,151
2027	62,396
Total	<u>\$ 888,563</u>

- (1) Includes the outstanding principal of the Rochester Sub-Portfolio Loan (as defined below), which is in default.

Rochester Sub-Portfolio Loan

In July 2023, the Company elected not to use cash reserves to pay July debt service on seven cross-defaulted and cross-collateralized mortgage notes with an aggregate principal amount outstanding of \$99.8 million (the "Rochester Sub-Portfolio Loan") secured by seven healthcare real estate properties (the "Rochester Sub-Portfolio") that did not generate sufficient cash flow to pay debt service in full. The Rochester Sub-Portfolio Loan is non-recourse to the Company, subject to limited customary exceptions.

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As a result of the payment default, on October 25, 2023, the lender filed a complaint seeking the appointment of a receiver and foreclosure on the underlying properties and to enforce its rights in its collateral under the loan documents and, on October 30, 2023, the Rochester Sub-Portfolio was placed into a receivership to facilitate an orderly transition of the operations, and eventually ownership, of the properties.

Once legal ownership of the Rochester Sub-Portfolio transfers and the obligations under the Rochester Sub-Portfolio Loan are extinguished, the Company expects to recognize a gain related to the debt extinguishment in accordance with ASC 470, "Debt." However, until the extinguishment occurs, default interest expense and any other expenses related to the Rochester Sub-Portfolio Loan will continue to accrue. As of March 31, 2024, \$99.8 million of outstanding mortgage debt and \$11.0 million of accrued interest expense were included on the Company's consolidated balance sheets related to the Rochester Sub-Portfolio Loan.

Arbors Portfolio

Beginning in February 2021, the operator of the four net lease properties in the Arbors portfolio was unable to satisfy its obligations under its leases and began remitting rent based on its available cash after satisfying property-level expenses, which resulted in a default under the four cross-defaulted and cross-collateralized mortgage notes secured by the Arbor portfolio (the "Arbors Loan"). On March 27, 2023, with consent of the lender, the Company entered into a forbearance agreement relating to the lease defaults. During the three months ended March 31, 2024, cash flow, net of expenses, paid by the operator of the Arbors portfolio to the Company in accordance with the forbearance agreement was not sufficient to cover related debt service on the Arbors Loan and the Company used \$1.5 million of cash reserves to pay contractual debt service on the Arbors Loan. As of March 31, 2024, the Company is current with all payment obligations under the Arbors Loan. The Arbors Loan matures in February 2025 and is non-recourse to the Company, subject to limited customary exceptions. The Company will continue to monitor the operator of the Arbors portfolio's performance and cash flows closely, as well as evaluate options for this portfolio.

6. Related Party Arrangements

Former Advisor

In connection with the Internalization, on October 21, 2022, the advisory agreement was terminated and, along with the Operating Partnership and the Former Advisor, the Company entered into a Transition Services Agreement (the "TSA") to facilitate an orderly transition of the Company's management of its operations. As of December 31, 2023, the TSA was effectively terminated.

Prior to the Internalization, the Former Advisor was 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. For such services, to the extent permitted by law and regulations, the Former Advisor received fees and reimbursements from the Company. Pursuant to the advisory agreement, the Former Advisor could defer or waive fees in its discretion.

Investments in Unconsolidated 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, 2024, the Company recognized property management fee expense of \$1.7 million payable to Solstice related to the Winterfell portfolio.

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, 2024, the Company's independent directors were granted a total of 159,932 shares of restricted common stock and 203,742 restricted stock units totaling \$1.3 million and \$0.7 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The Company recognized equity-based compensation expense of \$56,250 and \$56,875 for the three months ended March 31, 2024 and 2023, respectively. Equity-based compensation expense is recorded in general and administrative expenses in the consolidated statements of operations.

Unrecognized expense related to unvested restricted stock units totaled \$183,750 and \$240,000 as of March 31, 2024 and December 31, 2023, respectively. Unvested restricted stock units totaled 60,628 and 77,741 as of March 31, 2024 and December 31, 2023, 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 were able to 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. Since inception, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of \$232.6 million pursuant to the DRP. No selling commissions or dealer manager fees were paid on shares issued pursuant to the DRP. In April 2022, the Company's board of directors elected to end the DRP, effective April 30, 2022.

Distributions

Effective February 1, 2019, the Company's board of directors determined to stop recurring distributions in order to preserve capital and liquidity.

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 totaling approximately \$97.0 million.

Share Repurchase Program

The Company adopted a share repurchase program that enabled stockholders to sell their shares to the Company in limited circumstances and could be amended, suspended, or terminated at any time. The Company previously funded repurchase requests with cash on hand, borrowings or other available capital. 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 does not currently anticipate resuming the share repurchase program.

9. Non-controlling Interests

Operating Partnership

Non-controlling interests included 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 was based on the limited partners' ownership percentage of the Operating Partnership. As a result of the Sale of Minority Interests on June 9, 2023, the Company's limited partnership interest in the Operating Partnership, directly or indirectly, is 100% as of March 31, 2024. Income (loss) allocated to the Operating Partnership non-controlling interests for the period prior to June 9, 2023 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 \$114,761 and \$71,242 for the three months ended March 31, 2024 and 2023, respectively.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
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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.

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

Derivative instruments consist of interest rate contracts and foreign exchange contracts that are generally traded over-the-counter, and are valued using a third-party service provider. Quotations on over-the-counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, and are classified as Level 2 of the fair value hierarchy. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified as Level 2 of the fair value hierarchy.

Fair Value Hierarchy

Financial assets recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents financial assets that were accounted for at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 by level within the fair value hierarchy (dollars in thousands):

	March 31, 2024 (Unaudited)			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Derivative assets - interest rate caps	\$ —	\$ 223	\$ —	\$ —	\$ 433	\$ —
Investment in Espresso joint venture	—	—	142	—	—	142

Derivative Assets - Interest Rate Caps

The Company's interest rate caps fair values are determined using models developed by the respective counterparty that use the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The floating interest rates used in the calculation of projected receipts on the caps are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

Investment in Espresso Joint Venture

The Company's assessment of fair value for its unconsolidated investment in the Espresso joint venture took into consideration its proportionate share of available cash, less wind down costs and other expenses. The Company believes the assessment of fair value to be reasonable as of March 31, 2024 and did not make any fair value adjustments during the three months ended March 31, 2024.

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, 2024 (Unaudited)			December 31, 2023		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial liabilities:⁽¹⁾						
Mortgage notes payable, net	\$ 888,563	\$ 883,839	\$ 831,911	\$ 903,862	\$ 898,154	\$ 842,559

(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.

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Mortgage Notes Payable

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 SOFR 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.

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 or write-down of asset values due to impairment.

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

	Three Months Ended March 31, 2024 (Unaudited)		Year Ended December 31, 2023	
	Fair Value	Impairment Losses ⁽¹⁾	Fair Value	Impairment Losses ⁽¹⁾
Operating real estate, net	\$ —	\$ —	\$ 56,718	\$ 44,294
Investments in unconsolidated ventures	—	—	3,075	4,728
Assets held for sale	495	39	11,611	355

(1) Excludes impairment losses for property damage sustained by facilities.

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 6.25% to 8.50% and discount rates ranging from 7.75% to 10.50%, third party appraisals and offer prices.

Investments in Unconsolidated Ventures

In June 2023, the Company impaired its investment in the Espresso joint venture by \$4.7 million, which reduced the carrying value of its investment to \$3.1 million as of June 30, 2023. The Company’s assessment of fair value at the time of impairment for its investment took into consideration the net proceeds that are estimated to be realized from the sales, under contract, of the remaining real estate owned by the joint venture as well as the Company’s proportionate share of available cash, less wind down costs and other expenses. Upon impairing its investment, the Company elected the fair value option method to account for its investment in the Espresso joint venture on June 30, 2023.

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, the fair value of assets held for sale is reduced for estimated selling costs. As of March 31, 2024, the Company classified one land parcel within the Rochester portfolio as held for sale. As of December 31, 2023, the Company classified one operating real estate property within the Rochester portfolio as held for sale, which was sold in February 2024.

11. Segment Reporting

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

- *Direct Operating Investments* - Properties operated pursuant to management agreements with healthcare managers.

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- *Direct Net Lease Investments* - Properties operated under net leases with an operator.
- *Unconsolidated Investments* - Joint venture investments, in which the Company owns a minority, non-controlling interest.

Our chief operating decision maker (“CODM”) evaluates performance of each reportable business segment and determines how to allocate resources to those segments, in significant part, based on net operating income (“NOI”) and related measures for each segment. The Company defines NOI as property and other revenues, less property operating expenses. While the Company believes that net income (loss), as defined by GAAP, is the most appropriate earnings measurement, the Company believes that NOI provides useful information to stockholders and provides management with a performance measure to compare the Company's operating results to the operating results of other healthcare real estate companies between periods on a consistent basis.

The following tables present the NOI of the Company’s direct investments segments and the Company's proportionate share of the NOI generated by the joint ventures of its unconsolidated investments segment (dollars in thousands):

Three Months Ended March 31, 2024	Direct Investments		Unconsolidated Investments	Non- Segment ⁽²⁾	Adjustments ⁽³⁾	Total ⁽⁴⁾
	Net Lease	Operating				
Property and other revenues ⁽¹⁾	\$ —	\$ 47,872	\$ 92,022	\$ 880	\$ (92,022)	\$ 48,752
Property operating expenses	—	(33,381)	(81,899)	—	81,899	(33,381)
Net operating income	\$ —	\$ 14,491	\$ 10,123	\$ 880	\$ (10,123)	\$ 15,371
Interest expense						(12,862)
Transaction costs						(16)
General and administrative expenses						(3,327)
Depreciation and amortization						(8,901)
Impairment loss						(456)
Other income, net						1,000
Gain (loss) on investments and other						150
Equity in earnings (losses) of unconsolidated ventures						1,014
Income tax expense						(20)
Net income (loss)						\$ (8,047)

- (1) Includes rental income received from net lease properties, if any, as well as resident room and care charges, ancillary service fees and other related revenue earned from operating properties.
- (2) Primarily consists of interest income earned on corporate cash and equivalents.
- (3) Represents adjustments to eliminate the NOI presented for the unconsolidated investments segment, in order to reconcile to the Company's net income (loss) prepared in accordance with GAAP. For investments accounted for under the equity method of accounting, the Company records its proportionate share of the net income of its unconsolidated investments through equity in earnings (losses) of unconsolidated ventures as presented on its consolidated statements of operations.
- (4) Non-NOI items are not allocated to individual segments for purposes of assessing segment performance.

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Three Months Ended March 31, 2023	Direct Investments		Unconsolidated Investments ⁽²⁾	Non- Segment ⁽³⁾	Adjustments ⁽⁴⁾	Total ⁽⁵⁾
	Net Lease	Operating				
Property and other revenues ⁽¹⁾	\$ —	\$ 48,849	\$ 94,655	\$ 719	\$ (94,655)	\$ 49,568
Property operating expenses	—	(35,077)	(81,615)	—	81,615	(35,077)
Net operating income	\$ —	\$ 13,772	\$ 13,040	\$ 719	\$ (13,040)	\$ 14,491
Interest expense						(11,359)
Transaction costs						(97)
General and administrative expenses						(3,910)
Depreciation and amortization						(9,649)
Other income, net						132
Gain (loss) on investments and other						332
Equity in earnings (losses) of unconsolidated ventures						(3,922)
Income tax expense						(15)
Net income (loss)						\$ (13,997)

- (1) Includes rental income received from net lease properties, if any, as well as resident room and care charges, ancillary service fees and other related revenue earned from operating properties.
- (2) Includes the Company's proportionate share of revenues and expenses of the Diversified US/UK and Eclipse Portfolios prior to the Sale of Minority Interests in June 2023.
- (3) Primarily consists of interest income earned on corporate cash and equivalents.
- (4) Represents adjustments to eliminate the NOI presented for the unconsolidated investments segment, in order to reconcile to the Company's net income (loss) prepared in accordance with GAAP. For investments accounted for under the equity method of accounting, the Company records its proportionate share of the net income of its unconsolidated investments through equity in earnings (losses) of unconsolidated ventures as presented on its consolidated statements of operations.
- (5) Non-NOI items are not allocated to individual segments for purposes of assessing segment performance.

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

Total Assets:	Direct Investments		Unconsolidated Investments	Non-Segment ⁽¹⁾	Total
	Net Lease	Operating			
March 31, 2024	\$ 73,633	\$ 770,400	\$ 123,963	\$ 69,135	\$ 1,037,131
December 31, 2023	74,655	787,925	122,949	73,890	1,059,419

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

The following table presents capital expenditures made by the Company for each of its reportable segments (dollars in thousands):

Total Capital Expenditures for the Three Months Ended:	Direct Investments		Unconsolidated Investments	Non-Segment	Total
	Net Lease	Operating			
March 31, 2024	\$ —	2,926	\$ —	\$ —	\$ 2,926
March 31, 2023	—	3,810	—	—	3,810

12. Commitments and Contingencies

As of March 31, 2024, the Company believes there are no material unrecorded 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.

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The Company's 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 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.

As of March 31, 2024, the Company has an accrued reserve of \$0.6 million, inclusive of legal fees, relating to a resolution of claims against a manager of one of the Company's direct operating investments, for which the Company has indemnification obligations under the management agreement.

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. Disruptions in insurance markets may increase the costs of coverage and result in the Company retaining more risk, to the extent it is more commercially reasonable to do so. In addition, there are also certain types of extraordinary losses, such as those due to acts of war or other events, that may be either uninsurable or not economically insurable.

13. Subsequent Events

There were no material events which have occurred subsequent to March 31, 2024 through the issuance of the consolidated financial statements.

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 own a diversified portfolio of seniors housing properties, including independent living facilities, or ILFs, assisted living facilities, or ALFs, and memory care facilities, or MCFs, located throughout the United States. In addition, we have an investment through a non-controlling interest in a joint venture that invests in integrated senior health campuses, which provide services associated with ILFs, ALFs, MCFs and skilled nursing facilities, or SNFs, across the Midwest region of the United States.

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 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.

The Internalization

From inception through October 21, 2022, we were externally managed by CNI NSHC Advisors, LLC or its predecessor, or the Former Advisor, an affiliate of NRF Holdco, LLC, or the Former Sponsor. The Former Advisor was responsible for managing our operations, subject to the supervision of our board of directors, pursuant to an advisory agreement. On October 21, 2022, we completed the internalization of our management function, or the Internalization. In connection with the Internalization, we agreed with the Former Advisor to terminate the advisory agreement.

Our Strategy

Our primary objective is to maximize value and generate liquidity for shareholders. The key elements of our strategy include:

- *Grow the Operating Income Generated by Our Portfolio.* We are focused on growing the net operating income generated by our properties, through active portfolio management and selectively deploying capital expenditures to improve occupancy and resident rates while managing expenses, in an effort to enhance the overall value of our assets.
- *Pursue Disposition Opportunities that Maximize Value.* We will pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return or strategic outcome, with the goal of maximizing value for shareholders overall.

Market Update

Seniors Housing Fundamentals

Current market conditions impacting property-level performance are generally favorable. Industry occupancy continues to grow, with an industry average of 85.6% for the first quarter of 2024, up 50 basis points from the previous quarter, but still remains below the pre-pandemic average of 87.1% in March 2020 (source: NIC MAP Vision 1Q2024 Market Fundamentals Report). The 80+ population, a key demographic for seniors housing, is expected to grow by 24% through 2028 and is forecasted to increase by 3.7% in 2024 (Source: NIC MAP Vision as of December 2023), and new supply and new construction remain low compared to historical levels, resulting in a demand and supply environment that should contribute to continued overall industry occupancy and revenue growth.

Seniors Housing Transactions

Current market conditions affecting transactions, including asset sales, remain challenging. The current state of the public and private capital markets have been affected by a general tightening of availability of credit (including the price, terms and conditions under which financing can be obtained), elevated interest rates and a general decrease in liquidity in the healthcare lending markets, which has resulted in higher capitalization rates, adversely impacting property values and limiting transaction activity.

Liquidity Update

We have not announced or adopted a plan for liquidation and are not required to liquidate by any specified date. We do not have a stated term for a liquidity event, as we believe setting a finite date for a possible, but uncertain, future liquidity transaction may result in actions that are not necessarily in the best interest or within the expectations of our shareholders.

Although opportunities may exist to dispose of assets in the current market environment and there are certain scenarios where a sale can generate acceptable market returns for shareholders, many opportunities in the current market may require us to take significant discounts to our view of value.

Our current focus is on growing the net operating income of our existing direct investments, including through selectively investing capital into certain properties in order to achieve a better return upon the sale of those properties. If market conditions improve, we will then proceed with a general plan to sell assets over the next 2-3 years, while also exploring potential merger transactions in which the whole company would be acquired.

Based on the current forecasted cash flow of our investments and cash needs to operate the business, we do not anticipate paying recurring dividends or resuming our share repurchase program in the near future. Although we have approximately \$91.3 million of unrestricted cash as of May 7, 2024, we require capital to fund operations, capital expenditures, and other important business uses, as well as to fund our debt service obligations and potentially to refinance indebtedness. Current cash flow generated by operations is not sufficient to cover all of these obligations. If we do not have sufficient capital available to fund our obligations, we may be unable to position properties to maximize value or meet debt service obligations. Instead, the board of directors will evaluate special distributions in connection with any future sales and other realizations of investments on a case-by-case basis based on, among other factors, current and projected liquidity needs.

Business Update

Operating Performance

The following is a summary of the performance of our investment segments for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. For additional information on financial results, refer to “—Results of Operations.”

Direct Operating Investments

The following table presents a summary of average occupancy of our direct operating investments by property manager:

Manager	Units Under Management	Average Quarterly Occupancy		
		Q1 2024	Q1 2023	Change
Solstice Senior Living	3,969	89.1 %	86.7 %	2.4 %
Watermark Retirement Communities ⁽¹⁾	723	86.3 %	88.4 %	(2.1) %
Avamere Health Services	453	89.6 %	89.8 %	(0.2) %
Integral Senior Living	40	76.4 %	93.7 %	(17.3) %
Direct Operating Investments	5,185	88.7 %	87.3 %	1.4 %

(1) Average quarterly occupancy excludes properties sold and the Rochester Sub-Portfolio (as defined in “—Results of Operations”).

NOI is a supplemental non-GAAP financial measure of our operating performance. The following table presents the NOI of our direct operating investments (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
Same store⁽¹⁾				
Property and other revenues				
Resident fee income	\$ 12,296	\$ 11,850	\$ 446	3.8 %
Rental income	35,409	32,038	3,371	10.5 %
Other revenue	17	—	17	NA
Total property and other revenues	47,722	43,888	3,834	8.7 %
Property operating expenses				
Salaries and wages	15,603	14,956	647	4.3 %
Utilities	3,279	3,029	250	8.3 %
Food and beverage	2,524	2,329	195	8.4 %
Repairs and maintenance	3,505	2,972	533	17.9 %
Property taxes	2,356	2,547	(191)	(7.5)%
Property management fee	2,431	2,196	235	10.7 %
Marketing	1,129	1,071	58	5.4 %
Insurance	1,253	797	456	57.2 %
All other expenses	1,189	903	286	31.7 %
Total property operating expenses	33,269	30,800	2,469	8.0 %
Same store NOI	\$ 14,453	\$ 13,088	\$ 1,365	10.4 %
Non-same store NOI	\$ 38	\$ 684	\$ (646)	(94.4)%
Total direct operating investments NOI⁽²⁾	\$ 14,491	\$ 13,772	\$ 719	5.2 %

(1) Same store excludes revenues and expense of properties sold and the Rochester Sub-Portfolio (as defined in “—Results of Operations”).

(2) For a reconciliation of our direct operating investments segment NOI to segment net income (loss) as presented in accordance with U.S. GAAP in our consolidated financial statements as of March 31, 2024 and 2023, refer to “—Non-GAAP Financial Measures.”

During the three months ended March 31, 2024, the average occupancy for our direct operating investments improved by 1.4% over the prior period, to 88.7%. Our investment of capital to enhance the facilities of our properties contributed to the increase in occupancy. With the properties approaching stabilized occupancy levels, the managers of our direct operating investments have been focused on implementing resident rate increases and generating higher revenues, which outpaced the impact of inflation on variable operating costs over the same period. While certain operating expenses remain elevated, in particular, insurance costs, same store NOI continued to trend positively, increasing 10.4% over the prior period.

Direct Net Lease Investments

Beginning in February 2021, the operator of the four net lease properties in our Arbors portfolio has been unable to satisfy its obligations under its leases. In accordance with a forbearance and modification agreement entered into in March 2023, the operator remits rent based on the properties’ available cash after satisfying property-level expenses.

Despite occupancy and resident rate improvements realized in Q1 2024, the portfolio’s continued sub-optimal occupancy levels and rising operating expenses resulted in limited cash flow distributed to us in accordance with the operator’s forbearance agreement. We did not recognize rental income from the portfolio for the three months ended March 31, 2024 and 2023, and we utilized cash reserves to cover our related debt service in each period. We continue to monitor the operator’s performance and cash flows closely, as well as evaluate potential options for this portfolio.

The following table presents the cash reserves used to service the debt obligations for our Arbors portfolio, as well as the average resident occupancy of the underlying properties (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash reserves used to fund debt service payments, including principal amortization	1,457	1,394
Average quarterly occupancy	74.4 %	72.3 %

Unconsolidated Investments

We have made investments in minority, non-controlling interests in joint ventures, which own healthcare real estate and related assets. As of March 31, 2024, our investment in Trilogy (as defined in “—Our Investments”), is our most significant remaining unconsolidated investment. The following table presents a summary of the Trilogy joint venture’s financial results (dollars in thousands):

	Trilogy			
	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
Property and other revenues				
Total property and other revenues	\$ 385,219	\$ 354,421	\$ 30,798	8.7 %
Expenses				
Property operating expenses	342,532	321,016	21,516	6.7 %
Interest expense	19,609	17,559	2,050	11.7 %
Administrative, transaction & other	210	82	128	156.1 %
Depreciation and amortization	16,600	17,559	(959)	(5.5)%
Total expenses	378,951	356,216	22,735	6.4 %
Other income (loss), net	(1,205)	(306)	(899)	293.8 %
Other gains (losses)	(644)	785	(1,429)	(182.0)%
Net income (loss)	\$ 4,419	\$ (1,316)	\$ 5,735	(435.8)%
<i>Our ownership %</i>	<i>23.8 %</i>	<i>23.4 %</i>		
Equity in earnings (losses)	\$ 1,052	\$ (309)	\$ 1,361	(440.5)%

Occupancy recovery at Trilogy’s integrated senior health campuses continued through Q1 2024, and coupled with higher resident rates, resulted in revenue growth, which outpaced rising operating costs over the same period. While operating income has improved, higher interest expense from Trilogy’s floating-rate debt and other financing initiatives reduced cash flow and the joint venture did not make distributions to its investors during the three months ended March 31, 2024.

Our Investments

Our investments are categorized in the following reportable segments:

- Direct Operating Investments - Properties operated pursuant to management agreements with managers, in which we own a controlling interest.
- Direct Net Lease Investments - Properties operated under net leases with an operator, in which we own a controlling interest.
- Unconsolidated Investments - Joint venture investments, in which we own a minority, non-controlling interest.

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, 2024 (dollars in thousands):

Investment Type / Portfolio	Amount ⁽²⁾	Properties ⁽¹⁾				Total	Primary Locations	Ownership Interest
		ILF	ALF	MCF	Integrated Campus			
Direct Operating Investments								
Winterfell	\$ 748,389	32	—	—	—	32	12 U.S. States	100.0%
Avamere	94,772	—	5	—	—	5	Washington/Oregon	100.0%
Aqua	85,124	2	1	1	—	4	Texas/Ohio	97.0%
Rochester ⁽³⁾	46,771	1	1	—	—	2	New York	97.0%
Oak Cottage	18,730	—	—	1	—	1	California	100.0%
Subtotal	\$ 993,786	35	7	2	—	44		
Direct Net Lease Investments								
Arbors	\$ 98,315	—	4	—	—	4	New York	100.0%
Total Direct Investments	\$ 1,092,101	35	11	2	—	48		
Unconsolidated Investments								
Trilogy ⁽⁴⁾	\$ 123,391	—	—	—	126	126	4 U.S. States	23.8%
Solstice	430	—	—	—	—	—		20.0%
Total Unconsolidated Investments	\$ 123,821	—	—	—	126	126		
Total Investments	\$ 1,215,922	35	11	2	126	174		

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

(2) For direct investments, amount represents gross real estate carrying value, net of impairment, before accumulated depreciation as presented in our consolidated financial statements as of March 31, 2024. For unconsolidated investments, amount represents the carrying value of the investments in unconsolidated ventures as presented in our consolidated financial statements as of March 31, 2024. For additional information, refer to “Note 3, Operating Real Estate” and “Note 4, Investments in Unconsolidated Ventures” of Part I, Item 1. “Financial Statements.”

(3) Excludes the Rochester Sub-Portfolio (as defined in “—Results of Operations”).

(4) Property count includes properties owned and leased by the joint venture and excludes its institutional pharmacy and therapy businesses.

Our investments include the following types of properties:

- *Independent living facilities.* ILFs are properties with central dining facilities that provide services that include security, housekeeping, nutrition and 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. Fees at these communities are paid from private sources. As of March 31, 2024, we had 35 ILFs in our direct operating investments segment.
- *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 may be bundled within one monthly fee or based on the care needs of the resident and usually include meals and dining, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance. Revenues generated by ALFs primarily come from private pay sources, including private insurance, and government reimbursement programs, such as Medicaid, to a lesser extent. As of March 31, 2024, we had seven properties that are predominantly ALFs in our direct operating investments segment and four properties that are predominantly ALFs in our direct net lease investments segment.
- *Memory care facilities.* MCFs offer specialized options for seniors with Alzheimer’s disease and other forms of dementia. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment. 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. Fees at these communities are paid primarily from private sources and, to a lesser extent, government reimbursement, such as Medicaid. As of March 31, 2024, we had two properties that are predominantly MCFs in our direct operating investments segment.

- *Integrated Senior Health Campuses.* Provide a range of services in an integrated campus, including those described above for ILFs, ALFs, MCFs, as well as SNFs. 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. Revenues generated from Integrated Senior Health Campuses come from government reimbursement programs, including Medicare and Medicaid, as well as private pay sources, including private insurance. As of March 31, 2024, we had 126 Integrated Health Campuses in our unconsolidated investments segment.

Operators and Managers

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

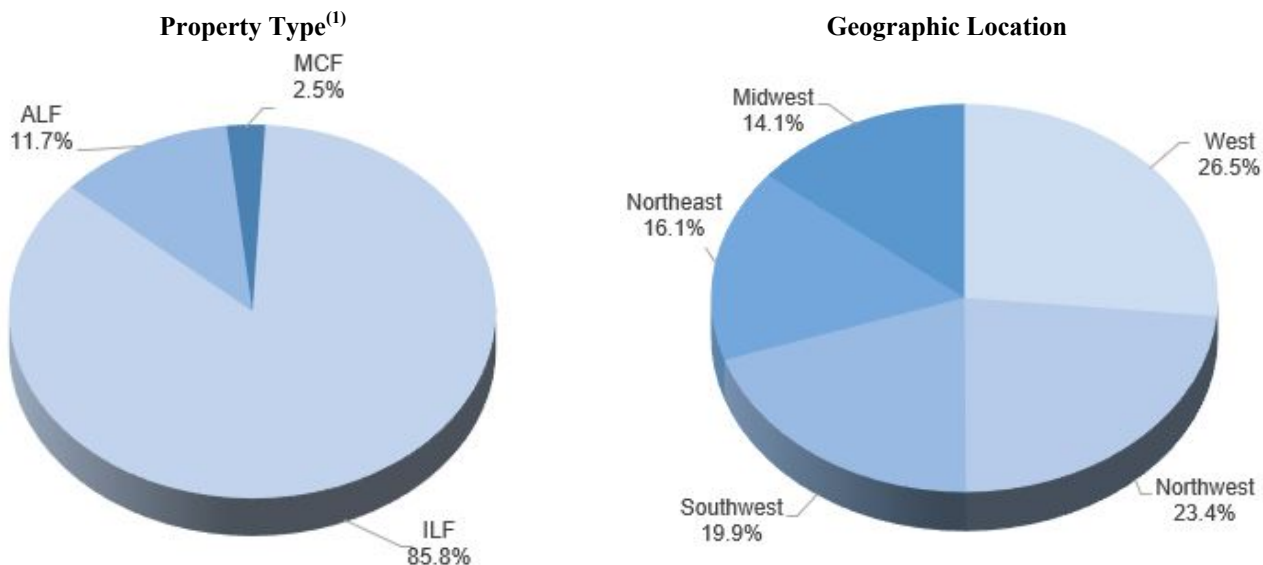
Operator / Manager	As of March 31, 2024		Three Months Ended March 31, 2024	
	Properties Under Management	Units Under Management ⁽¹⁾	Property and Other Revenues ⁽²⁾	% of Total Property and Other Revenues
Direct Investments				
Solstice Senior Living ⁽³⁾	32	3,969	\$ 33,695	69.1 %
Watermark Retirement Communities ⁽⁴⁾	6	723	7,346	15.1 %
Avamere Health Services	5	453	5,690	11.7 %
Integral Senior Living	1	40	1,141	2.3 %
Arcadia Management ⁽⁵⁾	4	564	—	— %
Other ⁽⁶⁾	—	—	880	1.8 %
Total Direct Investments	48	5,749	\$ 48,752	100.0 %
Unconsolidated Investments				
Trilogy Management Services ⁽⁷⁾	126	14,376	\$ 91,682	N/A

- (1) Represents rooms for ALFs, ILFs and MCFs.
- (2) Includes rental income received from our net lease properties, 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 Integral Senior Living own 80%.
- (4) Property count and units exclude properties sold and the Rochester Sub-Portfolio (as defined in “—Results of Operations”).
- (5) During the three months ended March 31, 2024, we did not record any rental income from our net lease operator.
- (6) Consists primarily of interest income earned on corporate-level cash and cash equivalents.
- (7) The table presents the total properties and licensed beds/units managed by Trilogy Management Services and our 23.8% ownership share of the property and other revenues generated by the Trilogy joint venture.

Direct Operating Investments

Our operating properties allow us to participate in the risks and rewards of the operations of the facilities as compared to receiving only contractual rent under a net lease. We engage independent managers to operate these facilities pursuant to management agreements, including procuring supplies, hiring and training all employees, entering into all third-party contracts for the benefit of the property, including resident/patient agreements, complying with laws and regulations, including but not limited to healthcare laws, and providing resident care and services, in exchange for a management fee. As a result, we must rely on our managers’ personnel, expertise, technical resources and information systems, risk management processes, proprietary information, good faith and judgment to manage our operating properties efficiently and effectively. We also rely on our managers to set appropriate resident fees, to provide accurate property-level financial results in a timely manner and otherwise operate our seniors housing facilities in compliance with the terms of our management agreements and all applicable laws and regulations.

As of March 31, 2024, we had 44 senior housing facilities in our direct operating investments segment with four different managers. The following presents the facilities by property type and geographic location as of March 31, 2024:



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

Our management agreements generally provide for monthly management fees which are calculated based on various performance measures, including revenue, net operating income and other objective financial metrics. We are also required to reimburse our managers for expenses incurred in the operation of the properties, as well as to indemnify our managers in connection with potential claims and liabilities arising out of the operation of the properties. Our management agreements are terminable after a stated term with certain renewal rights, though we have the ability to terminate earlier upon certain events with or without the payment of a fee.

The following table presents a summary of the terms of our management agreements:

Manager	Portfolio	Properties	Expiration Date	Management Fees
Solstice Senior Living	Winterfell	32	October 2025	<ul style="list-style-type: none"> • 5% of monthly gross revenues, subject to certain exclusions • 7% of actual costs of certain capital projects • Additional fees if net operating income exceeds annual target • Additional fees if net operating income long-term growth is achieved
Watermark Retirement Communities ⁽¹⁾	Aqua	2	December 2024	<ul style="list-style-type: none"> • 5% of monthly gross revenues, subject to certain exclusions • Eligible for promote in connection with disposition
	Aqua	2	February 2025	
	Rochester ⁽²⁾	2	August 2024	
Avamere Health Services	Avamere	5	January 2025	<ul style="list-style-type: none"> • 4% of monthly gross revenues, plus 3% of monthly net operating income subject to certain exclusions • Additional fees based on net operating income exceeds annual target
Integral Senior Living	Oak Cottage	1	April 2024	<ul style="list-style-type: none"> • Greater of 5% of monthly gross revenues, subject to certain exclusions, or \$12,000 per month • Additional fees if net operating income exceeds annual target

(1) Affiliates of Watermark also own a 3% non-controlling interest in the Rochester and Aqua portfolios, which may impact various rights and economics under the management agreements.

(2) Property count excludes the properties within the Rochester Sub-Portfolio (as defined in “—Results of Operations”).

Certain of our properties in our direct operating investments segment are held through joint ventures, where an affiliate of the manager owns a 3% non-controlling interest, primarily to create alignment and incentives for the manager to perform. In addition, we own a 20% interest in Solstice Senior Living, the manager of the Winterfell portfolio, which gives us additional rights and minority protections.

Direct Net Lease Investments

As of March 31, 2024, we had four ALF properties located in New York operated by Arcadia Management under net leases. These leases obligate Arcadia to pay a fixed rental amount and pay all property-level expenses, with a lease term that expires in August 2029. However, Arcadia has been unable to satisfy its obligations under its leases since February 2021, and instead remits rent and pays property-level expenses based on its available cash. On March 27, 2023, we entered into a forbearance agreement with Arcadia, pursuant to which we are entitled to receive all cash flow in excess of permitted expenses, and are required to fund any operating deficits, through 2025, subject to the terms and conditions thereof. As a result, we participate in the risks and rewards of this portfolio similar to our operating properties. If Arcadia performs under the forbearance agreement, it will be entitled to forgiveness of accrued and unpaid rent during the forbearance period and a potential incentive fee tied to disposition of the portfolio above a certain value.

We continue to monitor Arcadia's performance and cash flows closely, as well as evaluate potential options for this portfolio.

Unconsolidated Investments

As of March 31, 2024, our unconsolidated investment segment primarily consists of our 23.8% interest in Trilogly Investors, LLC, or Trilogly. Trilogly indirectly owns 126 Integrated Senior Health Campuses located in the Midwest, which are all operating properties managed pursuant to a management agreement with Trilogly Management Services, as well as ancillary services businesses, including a therapy business and a pharmacy business. Affiliates of American Healthcare REIT, Inc., or AHR, own approximately 75.4% of Trilogly, with management of Trilogly owning the remaining 0.8%.

Our joint venture agreement with AHR, through which we hold our interest in Trilogly, provides that AHR is generally responsible for the day-to-day affairs of the joint venture, subject to certain limitations and exceptions, including our right to consent to certain significant decisions. The joint venture agreement also contains provisions relating to rights and obligations to call capital to fund the joint venture, distributions of available cash flow, customary forced sale and other liquidity rights.

In November 2023, we entered into an agreement giving AHR the right to purchase our ownership interests in Trilogly at any time prior to September 30, 2025, assuming AHR exercises all of its extension options and subject to satisfaction of certain closing conditions, for a purchase price ranging from \$240.5 million to up to \$260 million depending upon the purchase price consideration, timing of the closing and certain additional fees that AHR may pay us in the interim. A minimum of 10% of the purchase price consideration must be paid in cash, with the balance payable in either cash or new Series A Cumulative Convertible Preferred Stock to be issued by AHR in connection with the closing. The portion of the purchase price consideration paid in cash may be subject to a 5% discount if the transaction closes prior to December 31, 2024. In addition, we may be entitled to a supplemental cash payment of \$25,600 per day for the period between July 1, 2023 until the closing date, for up to approximately \$21 million, reduced by any distributions received from Trilogly by us during the interim period. AHR may terminate the agreement at any time, subject to payment of a termination fee equal to: (i) if terminated prior to the initial outside date, September 30, 2024, \$7.8 million, (ii) if extended and terminated prior March 31, 2025, \$11.7 million and (iii) if further extended and terminated prior to September 30, 2025, \$15.6 million. As a condition to exercising any extension option, AHR must advance any termination fees that have accrued prior to such exercise to the Company. Although there can be no assurance that AHR will consummate the purchase of our interests in Trilogly on these terms, or at all, we believe that this proposed transaction presents an attractive opportunity for us to exit our position in this portfolio in furtherance of our disposition strategy.

In addition to our investment in Trilogly, as discussed above, we also have a 20.0% minority interest in Solstice Senior Living, LLC, or Solstice, a management platform formed with Integral Senior Living, or ISL, exclusively to manage our Winterfell portfolio.

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.”

Impairment

We believe impairment to be a critical accounting estimate based on the nature of our operations and/or because it requires significant management judgment and assumptions. 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 circumstances, 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.

Direct Operating Investments and Direct Net Lease Investments

During the three months ended March 31, 2024, we recorded impairment losses on our operating real estate totaling \$0.5 million to reflect the market value of a land parcel within the Rochester portfolio designated as held for sale and for property damage sustained by facilities in our Winterfell and Aqua portfolios.

Accumulated impairment losses totaled \$163.3 million for operating real estate that we continue to hold as of March 31, 2024. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and 2022 for additional information regarding impairment recorded in prior years.

Unconsolidated Investments

During the three months ended March 31, 2024, we did not impair any of our investments in unconsolidated ventures, nor did the underlying joint ventures record any impairments or reserves on properties in their respective portfolios.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 to March 31, 2023 (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
Property and other revenues				
Resident fee income	\$ 12,296	\$ 11,850	\$ 446	3.8 %
Rental income	35,559	36,999	(1,440)	(3.9)%
Other revenue	897	719	178	24.8 %
Total property and other revenues	48,752	49,568	(816)	(1.6)%
Expenses				
Property operating expenses	33,381	35,077	(1,696)	(4.8)%
Interest expense	12,862	11,359	1,503	13.2 %
Transaction costs	16	97	(81)	(83.5)%
General and administrative expenses	3,327	3,910	(583)	(14.9)%
Depreciation and amortization	8,901	9,649	(748)	(7.8)%
Impairment loss	456	—	456	NA
Total expenses	58,943	60,092	(1,149)	(1.9)%
Other income, net	1,000	132	868	657.6 %
Gain (loss) on investments and other	150	332	(182)	(54.8)%
Equity in earnings (losses) of unconsolidated ventures	1,014	(3,922)	4,936	(125.9)%
Income tax expense	(20)	(15)	(5)	33.3 %
Net income (loss)	\$ (8,047)	\$ (13,997)	\$ 5,950	(42.5)%

Rochester Sub-Portfolio

In October 2023, as a result of the payment default in July 2023 on seven individual mortgage notes payable, or the Rochester Sub-Portfolio Loan, Fannie Mae, as the lender, filed a complaint seeking the appointment of a receiver and foreclosure on the seven underlying healthcare real estate properties, or the Rochester Sub-Portfolio, and to enforce its rights in its collateral under the loan documents. On October 30, 2023, the properties underlying the Rochester Sub-Portfolio Loan were placed into a receivership. Although we continue to have legal ownership of the Rochester Sub-Portfolio until transferred to Fannie Mae or its designee, the receiver now has effective control of the properties and, as of the date of the receivership order, we discontinued recognizing revenues and expenses related to the Rochester Sub-Portfolio and derecognized the properties and related assets from our financial statements. However, until legal ownership of the Rochester Sub-Portfolio is transferred and the associated debt extinguished, we continue to recognize liabilities associated with the Rochester Sub-Portfolio Loan. As of March 31, 2024, we continue to own all of the properties in the Rochester Sub-Portfolio.

We discontinued recognizing property revenues and expenses for the Rochester Sub-Portfolio as of October 30, 2023, the date of the receivership order. As a result, we did not recognize property revenues and expenses for the Rochester Sub-Portfolio during the three months ended March 31, 2024 as compared to a full three months of activity presented for the three months ended March 31, 2023.

The following tables present operating results on a same store basis, which exclude the activity of the Rochester Sub-Portfolio and properties sold.

Total Property and Other Revenues

The following table presents total property and other revenues (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
ILF properties	\$ 35,409	\$ 32,038	\$ 3,371	10.5 %
ALF/MCF properties	12,296	11,850	446	3.8 %
Net lease properties	—	—	—	— %
Same store subtotal	47,705	43,888	3,817	8.7 %
Rochester Sub-Portfolio	—	4,548	(4,548)	(100.0)%
Properties sold	150	413	(263)	(63.7)%
Other revenue	897	719	178	24.8 %
Total property and other revenues	\$ 48,752	\$ 49,568	\$ (816)	(1.6)%

Overall, on a same store basis, total property and other revenues increased during the three months ended March 31, 2024. Revenues generated by our operating properties increased as a result of improved occupancy and higher market rates for new residents and in-place rates for existing residents. Other revenue consists of interest earned on cash and cash equivalents, which increased during the three months ended March 31, 2024 as a result of higher market interest rates.

Property Operating Expenses

The following table presents property operating expenses (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
ILF properties	\$ 23,909	\$ 22,115	\$ 1,794	8.1 %
ALF/MCF properties	9,360	8,685	675	7.8 %
Net lease properties	—	—	—	NA
Same store subtotal	33,269	30,800	2,469	8.0 %
Rochester Sub-Portfolio	—	4,116	(4,116)	(100.0)%
Properties sold	112	161	(49)	(30.4)%
Total property operating expenses	\$ 33,381	\$ 35,077	\$ (1,696)	(4.8)%

Overall, on a same store basis, total operating expenses increased primarily due to inflationary pressures significantly impacting all variable operating costs, most notably wages and benefits costs, insurance and utilities. In addition, repairs and maintenance costs increased due to additional repairs required as the result of property damage sustained by facilities in our Winterfell and Aqua portfolios.

Interest Expense

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

	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
ILF properties	\$ 7,162	\$ 7,214	\$ (52)	(0.7)%
ALF/MCF properties	1,563	1,305	258	19.8 %
Net lease properties	862	876	(14)	(1.6)%
Same store subtotal	9,587	9,395	192	2.0 %
Rochester Sub-Portfolio	3,095	1,759	1,336	76.0 %
Properties sold	\$ 180	205	(25)	(12.2)%
Total interest expense	\$ 12,862	\$ 11,359	\$ 1,503	13.2 %

On a same store basis, interest expense increased during the three months ended March 31, 2024. Interest expense on our fixed-rate debt declined as a result of a decrease in the average mortgage notes principal balances as compared to March 31, 2023 due to continued principal amortization. Interest expense on floating-rate debt increased primarily due to a mortgage payable secured by properties within Aqua portfolio converting to a floating-rate loan in February 2024.

Interest expense for the Rochester Sub-Portfolio Loan increased as a result of its floating interest rate and the recognition of default interest, which will continue to accrue until the loan is extinguished.

Transaction Costs

For the three months ended March 31, 2024, transaction costs consisted primarily of legal and professional fees incurred for corporate strategic initiatives. Prior period transaction costs consisted of costs incurred in connection with the Internalization and the transition of services and systems previously provided by the Former Advisor.

General and Administrative Expenses

Corporate cost savings of \$0.6 million were realized during the three months ended March 31, 2024, as compared to the three months ended March 31, 2023 primarily due to a reduction in corporate insurance premiums.

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)	
	2024	2023	Amount	%
ILF properties	\$ 6,604	\$ 5,865	\$ 739	12.6 %
ALF/MCF properties	1,613	1,658	(45)	(2.7)%
Net lease properties	684	729	(45)	(6.2)%
Same store subtotal	8,901	8,252	649	7.9 %
Rochester Sub-Portfolio	—	1,302	(1,302)	(100.0)%
Properties sold	—	95	(95)	(100.0)%
Total depreciation and amortization	\$ 8,901	\$ 9,649	\$ (748)	(7.8)%

Overall, on a same store basis, depreciation and amortization expense increased during the three months ended March 31, 2024 primarily as a result of additional capital improvements completed at the facilities within our Winterfell portfolio.

Depreciation and amortization expense decreased at our net lease properties as a result of impairments recognized during the year ended December 31, 2023, which reduced building depreciation expense for the three months ended March 31, 2024.

Impairment Loss

For the three months ended March 31, 2024, impairment losses on operating real estate totaled \$0.5 million. Refer to “— Impairment” for additional discussion.

Other Income, Net

For the three months ended March 31, 2024, other income, net consisted of a consent fee received and recognized from the majority partner of the Trilogy joint venture. For the three months ended March 31, 2023, other income, net consisted primarily of capital expenditure reimbursements from the state of Oregon’s Long-Term Care Capital Improvement and Emergency Preparedness Program received and recognized by facilities within our Avamere portfolio.

Gain (Loss) on Investments and Other

During the three months ended March 31, 2024, we recognized a gain on an insurance settlement within our Winterfell portfolio. The gain was partially offset by net losses on mortgage interest rate caps. During the three months ended March 31, 2023, we recognized a gain on the sale of other assets and operating real estate, partially offset by net losses on mortgage interest rate caps.

Equity in Earnings (Losses) of Unconsolidated Ventures

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

Portfolio	Three Months Ended March 31,							
	2024		2023		2024		2023	
	Equity in Earnings (Losses)		FFO and MFFO adjustments ⁽¹⁾		MFFO		Increase (Decrease)	
Trilogy	\$ 1,052	\$ (309)	\$ 4,522	\$ 4,337	\$ 5,574	\$ 4,028	\$ 1,546	38.4 %
Solstice	(38)	(29)	—	—	(38)	(29)	(9)	31.0 %
Subtotal	1,014	(338)	4,522	4,337	5,536	3,999	1,537	38.4 %
Espresso	—	109	—	535	—	644	(644)	(100.0)%
Investments sold	—	(3,693)	—	2,393	—	(1,300)	1,300	(100.0)%
Total	\$ 1,014	\$ (3,922)	\$ 4,522	\$ 7,265	\$ 5,536	\$ 3,343	\$ 2,193	65.6 %

(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.

Excluding the investments in unconsolidated ventures sold and the Espresso joint venture, equity in earnings (losses) and MFFO increased as a result of operational improvements generated from the Trilogy joint venture during the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

In addition, we elected the fair value option method to account for our investment in the Espresso joint venture on June 30, 2023, which resulted in no earnings recorded during the three months ended March 31, 2024 as compared to a full three months of activity presented for the three months ended March 31, 2023.

Non-GAAP Financial Measures

We consider certain non-GAAP financial measures, including Funds from Operations, or FFO, Modified Funds from Operations, or MFFO, and NOI, to be useful supplemental measures of our operating performance. These non-GAAP financial measures are not equivalent or an alternative 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. In addition, these non-GAAP financial measures are not necessarily indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders.

Funds from Operations and Modified Funds from Operations

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.

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. 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.

We define MFFO in accordance with the concepts established by the IPA. 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.

MFFO does have certain limitations. For instance, 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. 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. 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. In addition, 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.

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,	
	2024	2023
Funds from operations:		
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	\$ (7,932)	\$ (13,926)
Adjustments:		
Depreciation and amortization	8,901	9,649
Depreciation and amortization related to non-controlling interests	(33)	(73)
Depreciation and amortization related to unconsolidated ventures	4,042	5,648
(Gain) loss from sales of property	38	(136)
Gain (loss) from sales of property related to non-controlling interests	(1)	4
(Gain) loss from sales of property related to unconsolidated ventures	—	258
Impairment losses of depreciable real estate	456	—
Impairment loss on real estate related to non-controlling interests	(3)	—
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	<u>\$ 5,468</u>	<u>\$ 1,424</u>
Modified funds from operations:		
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	\$ 5,468	\$ 1,424
Adjustments:		
Transaction costs	16	97
Amortization of premiums, discounts and fees on investments and borrowings	1,005	985
(Gain) loss on investments and other	(188)	(196)
Adjustments related to unconsolidated ventures ⁽¹⁾	480	1,359
Adjustments related to non-controlling interests	(7)	3
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	<u>\$ 6,774</u>	<u>\$ 3,672</u>

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

Net Operating Income

We believe NOI provides useful information to stockholders and provides our management with a performance measure to compare our operating results to the operating results of other real estate companies between periods on a consistent basis. We define NOI as property and other revenues, less property operating expenses.

The following table reconciles net income (loss), computed in accordance with U.S. GAAP, to NOI for our direct operating investments segment (in thousands):

	Three Months Ended March 31,	
	2024	2023
Direct Operating Investments		
Net income (loss)	\$ (6,016)	\$ (5,184)
Adjustments:		
Income tax expense	20	15
Gain (loss) on investments and other	(150)	(332)
Other income, net	—	(132)
Impairment loss	456	—
Depreciation and amortization	8,218	8,920
General and administrative expenses	(39)	—
Transaction costs	2	2
Interest expense	12,000	10,483
Net operating income	<u>\$ 14,491</u>	<u>\$ 13,772</u>

For additional information regarding our direct operating investments segment, refer to “— Our Investments” above and for financial information refer to Note 11, “Segment Reporting” in our accompanying consolidated financial statements included in Part I, Item 1. “Financial Statements.”

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.

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.

As of May 7, 2024, we had approximately \$91.3 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 receive distributions from our investments in unconsolidated ventures. Net cash provided by operating activities was \$0.9 million for the three months ended March 31, 2024.

We are exposed to various operational risks, including rising labor costs, increases in inflation and rising interest rates, at substantially all of our properties. We expect that these factors will continue to materially impact our cash flow generated by our investments.

We have a significant unconsolidated investment in Trilogy, where we have no control over the timing of distributions, if any. Trilogy, similar to our direct operating investments, has been impacted by inflation, rising interest rates and other economic market conditions, and, as a result, may limit distributions to preserve liquidity in the future.

Borrowings

We typically have financed 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.

During the three months ended March 31, 2024, we paid \$4.4 million and \$8.6 million in recurring principal and interest payments, respectively, on borrowings. Excluding the Rochester Sub-Portfolio Loan, we had \$788.8 million of consolidated asset-level borrowings outstanding as of March 31, 2024.

We have \$678.3 million of borrowings that mature in 2025, including \$580.1 million of borrowings collateralized by our Winterfell portfolio. We may be unable to extend or refinance these borrowings without a significant pay down of existing loan balances. If we do not have sufficient capital to pay down existing loan balances, we may be forced to sell assets to generate additional capital or sell the portfolio in advance of the loan maturity. Our ability to refinance these borrowings and/or sell assets will be significantly impacted by market conditions, over which we have no control. Further, given the nature of our assets and the materiality of this portfolio, we may not be able to respond quickly to changes in market conditions. Even if we are able to extend or refinance these borrowings, it will likely be at a significantly higher interest rate.

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, 2024, our leverage was 60.2% of our assets, other than intangibles, before deducting non-cash reserves and depreciation.

For additional information regarding our borrowings, including principal repayments, timing of maturities and loans currently in default, refer to Item 3. “Quantitative and Qualitative Disclosures About Market Risk” and 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 may also fund capital expenditures for our net lease properties. We have made significant investments in capital expenditures to increase operating income and enhance the overall value of certain properties and in order to maintain market position, functional and operating standards. We will continue to invest going forward, although we expect aggregate spending to decrease in the near-term compared to 2023 and prior years. During the three months ended March 31, 2024, cash used for capital expenditures at our direct investments totaled \$2.9 million.

Realization and Disposition of Investments

We will pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return or strategic outcome, improve our liquidity position and generate value for shareholders. Although opportunities may exist to dispose of assets in the current market environment and there are certain scenarios where a sale can generate acceptable market returns for shareholders, many opportunities in the current market may require us to take significant discounts to our view of value.

In addition, we have a significant minority investment in Trilogy with limited ability to influence material decisions, including the disposition of assets.

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” and “—Liquidity Update” for further information regarding our distributions.

Share Repurchases

We adopted a share repurchase program effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances and could be amended, suspended, or terminated at any time. 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. We do not currently anticipate resuming the share repurchase program. If we have sufficient capital available, at this stage in our life cycle, we believe that returning capital to stockholders through special distributions, rather than repurchases, is a better use of that capital.

Cash Flows

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

Cash flows provided by (used in):	Three Months Ended March 31,		2024 vs. 2023 Change
	2024	2023	
Operating activities	\$ 927	\$ (3,536)	\$ 4,463
Investing activities	8,647	(818)	9,465
Financing activities	(15,337)	(4,828)	(10,509)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (5,763)</u>	<u>\$ (9,182)</u>	<u>\$ 3,419</u>

Operating Activities

Net cash provided by operating activities totaled \$0.9 million for the three months ended March 31, 2024 as compared to \$3.5 million net cash used in operating activities for the three months ended March 31, 2023. The change in net cash provided from operating activities was a result of increases in occupancy and rates at our direct operating investments, which resulted in higher rent and resident fees collected during the three months ended March 31, 2024. In addition, the Rochester Sub-Portfolio Loan default in July 2023 resulted in lower interest expense paid in cash as compared to the prior period.

Investing Activities

Our cash flows from investing activities are primarily proceeds from investment dispositions, including distributions received from our investments in unconsolidated investments that have been classified as investing cash flows, net of any capital expenditures. We continue to invest capital into our operating portfolios in order to maintain market position and enhance overall asset value, although we expect aggregate spending to decrease in the near-term compared to 2023 and 2022. Net cash provided by investing activities totaled \$8.6 million for the three months ended March 31, 2024 as compared to \$0.8 million net cash used in investing activities for the three months ended March 31, 2023. Net cash provided by investing activities for the three months ended March 31, 2024 were from property sales, less capital expenditures of our direct investments. Net cash used in investing activities for the three months ended March 31, 2023 were capital expenditures for our direct investments, partially offset by distributions received from our Trilogy unconsolidated investment.

Financing Activities

For the three months ended March 31, 2024, net cash used in financing activities were primarily principal amortization and repayments on our mortgage notes payable, which increased to \$15.3 million for the three months ended March 31, 2024 as

compared to \$4.8 million for the three months ended March 31, 2023 due to the repayment of the mortgage note for a property sold within our Rochester Portfolio.

Off-Balance Sheet Arrangements

As of March 31, 2024, 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.

Distributions Declared and Paid

From inception through March 31, 2024, we declared \$530.9 million in distributions and generated cumulative FFO of \$57.9 million. From April 5, 2013, the date of our first investment, through December 31, 2017, we paid monthly distributions in an amount that was equivalent to an annualized distribution of \$0.675 per share of our common stock. In order to better align the distribution with anticipated cash flows from operations, beginning in January 1, 2018 through January 31, 2019, we paid monthly distributions in an amount that was equivalent to an annualized distribution of \$0.3375 per share of our common stock. Effective February 1, 2019, our board of directors stopped recurring distributions in order to preserve capital and liquidity. In May 2022, we paid a special distribution in the amount of \$0.50 per share of our common stock. During the three months ended March 31, 2024, we did not declare any distributions to stockholders.

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 management and 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 may 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

Former Advisor

In connection with the Internalization, on October 21, 2022 the advisory agreement was terminated and, along with the Operating Partnership and the Former Advisor, we entered into a Transition Services Agreement, or TSA, to facilitate an orderly transition of the management of our operations. As of December 31, 2023, the TSA was effectively terminated.

Prior to the Internalization, the Former Advisor was responsible for managing our affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on our behalf. For such services, to the extent permitted by law and regulations, the Former Advisor received fees and reimbursements from us. Pursuant to the advisory agreement, the Former Advisor could defer or waive fees in its discretion.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, which owns 80.0%, and us, which owns 20.0%. For the three months ended March 31, 2024, we recognized property management fee expense of \$1.7 million payable to Solstice related to the Winterfell portfolio.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The principal market risks affecting us are interest rate risk and inflation 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

We have exposure to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we have generally sought long-term debt financing on a fixed-rate basis. However, certain of our borrowings are subject to variable-rate interest.

The following table presents a summary of our borrowings as of March 31, 2024 (dollars in thousands):

Borrowing Type	Loan Count	Interest Rate⁽²⁾	Principal Outstanding	% of Outstanding Debt
Fixed-rate debt	42	4.2 %	\$ 744,644	83.8 %
Floating-rate debt	2	7.2 %	44,133	5.0 %
Rochester Sub-Portfolio Loan ⁽¹⁾	7	7.7 %	99,786	11.2 %
Total/WA	51	4.6 %	\$ 888,563	100.0 %

(1) The Rochester Sub-Portfolio Loan is comprised of seven individual floating-rate mortgage notes payable in payment default, cross-collateralized and subject to cross-default, secured by the seven healthcare properties, which have been placed into a receivership.

(2) Represents the weighted average interest rate effective as of March 31, 2024.

When borrowing at variable rates, we seek the lowest margins available and evaluate hedging opportunities. The interest rate on our floating-rate borrowings is a fixed spread over an index such as the Secured Overnight Financing Rate, or SOFR, and typically reprices every 30 days. For our floating-rate borrowings, we have entered into interest rate caps that involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. As of March 31, 2024, eight of our nine floating-rate borrowings are hedged with contracts in place through the third quarter of 2024 that have effectively capped interest at a weighted average rate of 7.41% (excluding the Rochester Sub-Portfolio Loan, the weighted average interest rate is 5.61%). Based on market interest rates of March 31, 2024, a hypothetical 100 basis point increase on the interest rate for our one floating-rate loan without an interest rate cap in place would increase our interest expense by \$0.3 million.

Increases in market interest rates typically result in a decrease in the fair value of fixed-rate borrowings, while decreases in market interest rates typically result in an increase in the fair value of fixed-rate borrowings. While changes in market interest rates affect the fair value of our fixed-rate borrowings, these changes do not affect the interest expense associated with our fixed-rate borrowings. Therefore, interest rate risk does not have a significant impact on our fixed-rate borrowings until their maturity or earlier prepayment and refinancing. If we seek to refinance our fixed-rate borrowings, whether at maturity or otherwise, and interest rates have risen, our future earnings and cash flows could be adversely affected by additional borrowing costs. Conversely, lower interest rates at the time of refinancing may reduce our overall borrowing costs. Further, the fair value of the real estate collateral for our borrowings may be negatively impacted by rising interest rates.

Inflation Risk

Many of our costs are subject to inflationary pressures. These include labor, repairs and maintenance, food costs, utilities, insurance and other operating costs. Higher rates of inflation affecting the economy may substantially affect the operating margins of our investments. While our managers have an ability to partially offset cost inflation by increasing the rates charged to residents, this ability is often limited by competitive conditions, affordability and timing, which may lag behind cost volatility. Therefore, there can be no assurance that cost increases can be offset by increased rates charged to residents in real time or that increased rates will not result in occupancy declines.

Item 4. Controls and Procedures

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.

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.

Part II—Other Information.

Item 1. Legal Proceedings

We may be involved in various litigation matters arising in the ordinary course of our business. 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

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 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 the past in excess of our cash flow from operations and may continue to do so in the future. If we pay distributions from sources other than our cash flow provided by operations, such as using the proceeds of asset sales, our book value may be negatively impacted and the value of our shares will be reduced. In May 2022, we paid a special distribution to stockholders of \$0.50 per share of common stock using proceeds from asset sales and not cash flow provided by operations. We did not declare any distributions during the three months ended March 31, 2024.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We adopted a share repurchase program in 2012, which enabled shareholders to sell their shares to us in limited circumstances and could be amended, suspended and terminated by our board of directors at any time in their sole discretion (subject to certain notice requirements set forth in the share repurchase program). On April 7, 2020, in accordance with the terms of our share repurchase program, our board of directors suspended all repurchases under the share repurchase program effective April 30, 2020 in order to preserve capital and liquidity and does not currently anticipate resuming the share repurchase program.

We did not repurchase any shares of common stock during the three months ended March 31, 2024.

Unregistered Sales of Equity Securities

We did not issue any shares of common stock during the three months ended March 31, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

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)
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

** Furnished herewith

^ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

^^ Certain schedules and similar attachments have been omitted in reliance on Item 601(a)(5) of Regulation S-K. The Company will provide, on a supplemental basis, a copy of any omitted schedule or attachment to the SEC or its staff upon request.

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 9, 2024

By: /s/ KENDALL K. YOUNG

Name: Kendall K. Young

Title: *Chief Executive Officer, President and Director*

By: /s/ NICHOLAS R. BALZO

Name: Nicholas R. Balzo

Title: *Chief Financial Officer and Treasurer*

**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, Kendall K. Young, 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/ KENDALL K. YOUNG

Name: Kendall K. Young

Title: *Chief Executive Officer, President
and Director*

Date: May 9, 2024

**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, Nicholas R. Balzo, 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/ NICHOLAS R. BALZO

Name: Nicholas R. Balzo

Title: *Chief Financial Officer and Treasurer*

Date: May 9, 2024

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Kendall K. Young, 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/ KENDALL K. YOUNG

Kendall K. Young

*Chief Executive Officer, President and
Director*

Date: May 9, 2024

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.

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Nicholas R. Balzo, 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/ NICHOLAS R. BALZO
Nicholas R. Balzo
Chief Financial Officer and Treasurer

Date: May 9, 2024

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.