SUPPLEMENTAL FINANCIAL REPORT

For the Quarter Ended June 30, 2023

NorthStar HEALTHCARE INCOME

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential," "continue," "future" or other similar words or expressions that do not relate solely to historical matters. Forward-looking statements are not guarantees of performance and are based on certain assumptions, many of which are beyond the Company's control, discuss future expectations, describe plans and strategies, involve known and unknown risks, contain projections of results of operations or of financial condition or state other forward-looking information. The Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, however the actual results and performance could differ materially from the information presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023. Such statements include, but are not limited to, those relating to the Company's ability to make distributions to its stockholders; its ability to retain its senior executives and other sufficient personnel to manage the business; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits of the internalization of the management function as operating costs and business disruption may be greater than expected; the operating performance of the Company's investments, the Company's financing needs, the effects of current strategies and investment activities and the ability to effectively deploy capital. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 as well as in the Company’s other filings with the Securities and Exchange Commission.

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

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

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I. OUR INVESTMENTS

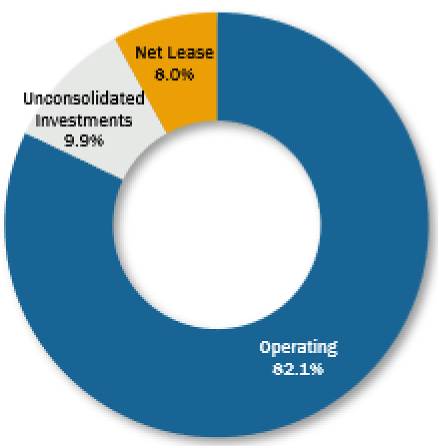
We conduct our business through the following three segments, which are based on how management reviews and manages our business:

Direct Investments - Operating - Properties operated pursuant to management agreements with managers, in which we own a controlling interest.

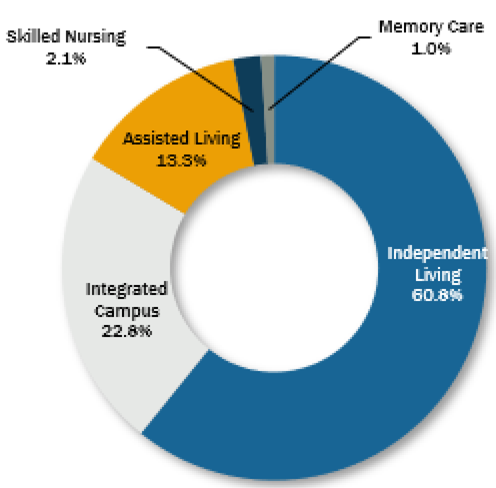
Direct Investments - Net Lease - Properties operated under net leases with an operator, in which we own a controlling interest.

Unconsolidated Investments - Joint ventures, which include properties operated under net leases with an operator or pursuant to management agreements with managers, in which we own a minority, non-controlling interest.

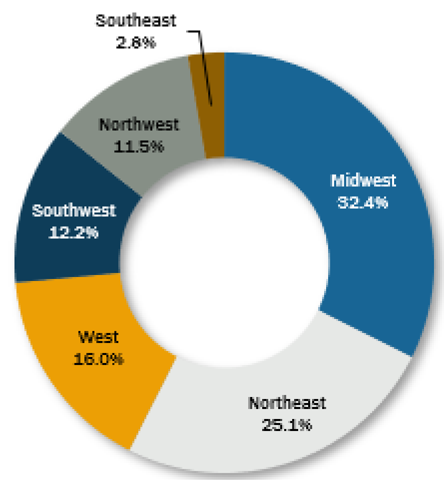
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of June 30, 2023. Property type classification based on predominant services provided, but may include other services.

I. OUR INVESTMENTS (CONT.)

($ In thousands)

Investment Type / Portfolio	Amount[2]	Properties [1] ILF	ALF	MCF	SNF	Integrated Campus	Total	Primary Locations	Ownership Interest
Direct Investments - Operating									
Winterfell	$ 723,200	32	—	—	—	—	32	12 U.S. States	100.0 %
Rochester	148,684	7	3	—	—	—	10	New York	97.0 %
Avamere	93,902	—	5	—	—	—	5	Washington/Oregon	100.0 %
Aqua	83,142	2	1	1	—	—	4	Texas/Ohio	97.0 %
Oak Cottage	18,633	—	—	1	—	—	1	California	100.0 %
Subtotal	$ 1,067,561	41	9	2	—	—	52		
Direct Investments - Net Lease									
Arbors	$ 103,915	—	4	—	—	—	4	New York	100.0 %
Total Direct Investments	$ 1,171,476	41	13	2	—	—	56		
Unconsolidated Investments									
Trilogy[3]	$ 124,816	—	—	—	—	98	98	4 U.S. States	23.2 %
Espresso	3,075	—	—		23	—	23	Ohio/Michigan	36.7 %
Solstice[4]	262	—	—	—	—	—	—		20.0 %
Total Unconsolidated Investments	$ 128,153	—	—	—	23	98	121		
Total Investments	$ 1,299,629	41	13	2	23	98	177		

As of June 30, 2023. See 'Footnotes' in the Appendix.

II. BUSINESS & FINANCIAL UPDATE
Q2 2023

NorthStar HEALTHCARE INCOME

Factors Impacting Our Operating Results	◦ Capital improvement projects and the enhancement of our facilities have supported the recovery of occupancy to pre-pandemic levels, which has led to increases in revenues. ◦ Increased inflation continued to affect our operating and administrative costs, including repairs and maintenance, insurance, utilities, food costs, and other operating costs. Increased labor costs and a shortage of available skilled and unskilled workers has, and may continue to, increase the cost of staffing at our facilities. ◦ Rising interest rates may help ease inflation, but have increased our debt service obligations on our variable rate debt.
Consolidated Results	◦ GAAP net loss totaled $59.0M in Q2 2023 as compared to $14.0M in Q1 2023. The increase in loss was primarily due to Q2 2023 impairment of five facilities and a land parcel within the Rochester portfolio totaling $38.7M, as well as impairment of our investment in the Espresso joint venture totaling $4.7M. ◦ Modified funds from operations increased to $8.4M for the Q2 2023 as compared to $3.7M in Q1 2023 primarily due to improved operating performance at our direct investments and higher MFFO from unconsolidated investments.
Direct Investments - Operating	◦ Occupancy averaged 85.1% for Q2 2023, a 30 bps increase from 84.8% averaged in Q1 2023. ◦ Overall, rental and resident fee income, net of property operating expenses, increased by $1.3 million compared to prior quarter. ◦ Rental and resident fee income increased by $1.2 million, to $50.1 million in Q2 2023, as a result of improved occupancy and increases in market rates for new residents and in-place rates for existing residents. Property operating expenses decreased by $0.1 million due to lower utility costs and real estate tax refunds, partially offset by increased marketing expenses.
Direct Investments - Net Lease	◦ We recognized $0.3M rental income in Q2 2023 and did not recognize rental income in Q1 2023. ◦ The operator of our net lease properties continues to be impacted by sub-optimal occupancy levels and elevated operating expenses, which has resulted in limited cash flow generated by properties. Average quarterly occupancy improved by 20 bps to 73.0% in Q2 2023 as compared to 72.8% in Q1 2023.
Investments in Unconsolidated Ventures	◦ Equity in losses totaled $2.5 million during Q2 2023 as compared to $3.9 million in Q1 2023. The improvement was primarily the result of gains recognized on sub portfolio sales by the Espresso joint venture in Q2 2023, partially offset by higher losses from the Diversified US/UK portfolio, which includes impairment in Q2 2023, of which our proportionate share totaled $11.4 million. ◦ Distributions received totaled $21.8 million in Q2 2023 as compared to $2.3 million in Q1 2023. Higher distributions were a result of sale proceeds distributed from the Espresso joint venture, of which our proportionate share totaled $17.3 million. ◦ The Trilogy joint venture has continued to improve from pandemic-era lows, but the occupancy of the joint venture's facilities remains below historical levels, which has impacted operating revenues. Operating expenses continue to be impacted by inflationary pressures and the joint venture has incurred higher interest expense on floating rate debt. However, the joint venture has recognized COVID-19 provider relief grant income, which has partially offset the elevated expenses.

II. BUSINESS & FINANCIAL UPDATE Q2 2023 (CONT.)

NorthStar HEALTHCARE INCOME

Investment Activity	◦ In June 2023, we sold our minority interests in the Diversified US/UK and the Eclipse Portfolios, together with $1.1 million in cash, to our Former Sponsor, who is affiliated with the majority partner of each joint venture, for all of our equity securities held by the Former Sponsor and its affiliates, including 9,709,553 shares of our common stock. With this sale, we were able to strategically exit two minority positions in joint ventures experiencing significant distress, where we had limited ability to control outcomes and a lack of alignment with the majority partner. ▪ The Diversified US/UK joint venture experienced significant distress over 2022 and 2023, which ultimately resulted in a sale of 15 MOBs in February 2023 for a purchase price effectively equivalent to the outstanding debt balance and a voluntary transfer to the mezzanine lender in lieu of foreclosure on the remainder of the U.S. assets, including 91 MOBs, 47 ILFs, ALFs and MCFs, 39 SNFs and 9 specialty hospitals, in May 2023. The joint venture's majority partner effected a lease and loan restructuring in late 2022 on the joint venture's remaining portfolio, 48 care homes located in the United Kingdom, or the UK Portfolio, which contemplated an extended period for the UK Portfolio to reach stabilization. ▪ The Eclipse joint venture continued to struggle with cash flow and liquidity issues. Of the remaining 34 seniors housing properties, the majority are in receivership and subject to pending foreclosure proceedings or are likely to be placed in receivership or conveyed to lenders in a voluntary transfer in lieu of foreclosure proceedings, and the remaining properties are being sold or marketed for sale. ◦ In July 2023, we determined not to pay our July debt service on cross-defaulted and cross-collateralized mortgage notes with an aggregate principal amount outstanding of $99.8 million, or the Rochester Sub-Portfolio Loan, in light of the continued negative cash flow generated by the seven collateral properties within the Rochester portfolio, or the Rochester Sub-Portfolio. The Rochester Sub-Portfolio Loan is non-recourse to us, subject to limited customary exceptions which we do not believe are applicable. ▪ As a result of the payment default, we received a notice of acceleration of the Rochester Sub-Portfolio Loan, pursuant to which the lender reserves all rights and remedies under the applicable loan documents, including a potential foreclosure and/or receivership proceeding. We are in an active dialogue with the lender to ensure orderly operation of the properties in the interim and to facilitate an optimal resolution for us, which may include a voluntary transfer of the assets in lieu of foreclosure and/or receivership, among other things.
Liquidity	◦ As of June 30, 2023, we had $912.9 million of consolidated asset-level borrowings outstanding. In Q2 2023, we paid $15.2 million in recurring principal and interest payments on borrowings. ◦ As of August 11, 2023, we had approximately $107.5 million of unrestricted cash.

III. DIRECT INVESTMENTS - KEY METRICS

($ In thousands)

Manager	Average Monthly Occupancy			Average Quarterly Occupancy		
	June 2023	March 2023	Variance	Q2 2023	Q1 2023	Variance
Solstice Senior Living	87.6 %	86.5 %	1.1 %	87.4 %	86.7 %	0.7 %
Watermark Retirement Communities	79.3 %	78.9 %	0.4 %	78.9 %	79.0 %	(0.1)%
Avamere Health Services	88.1 %	89.8 %	(1.7)%	88.7 %	89.8 %	(1.1)%
Integral Senior Living	86.9 %	87.6 %	(0.7)%	84.5 %	93.7 %	(9.2)%
Direct Investments - Operating	85.2 %	84.6 %	0.6 %	85.1 %	84.8 %	0.3 %

Operator / Manager Information:	Properties Managed	Units Under Management[1]	Total Revenues[2]	% of Total Revenues
Solstice Senior Living[3]	32	3,970	$ 61,938	61.3 %
Watermark Retirement Communities	14	1,782	23,781	23.6 %
Avamere Health Services	5	453	10,739	10.6 %
Integral Senior Living	1	40	2,458	2.4 %
Arcadia Management[4]	4	572	341	0.3 %
Other[5]	—	—	1,814	1.8 %
Total	56	6,817	$ 101,071	100.0 %

Operating Investments	Q2 2023	Q1 2023	Increase (Decrease)	
			Amount	%
Resident fee income	11,839	11,850	(11)	(0.1)%
Rental income	38,227	36,999	1,228	3.3 %
Property revenues	50,066	48,849	1,217	2.5 %
Salaries and wages	16,561	16,379	182	1.1 %
Utilities	2,694	3,361	(667)	(19.8)%
Food and beverage	2,649	2,589	60	2.3 %
Repairs and maintenance	3,627	3,420	207	6.1 %
Property taxes	2,880	3,132	(252)	(8.0)%
Property management fee	2,499	2,458	41	1.7 %
All other expenses	4,116	3,738	378	10.1 %
Total property operating expenses	35,026	35,077	(51)	(0.1)%
Revenues, net of operating expenses	$ 15,040	$ 13,772	$ 1,268	9.2 %

See “Footnotes” in the Appendix

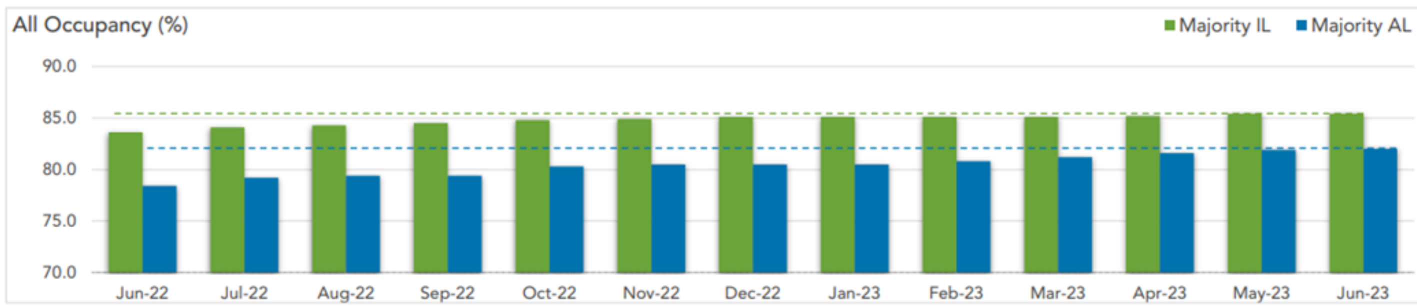
IV. SENIORS HOUSING KEY TRENDS

NorthStar HEALTHCARE INCOME

Market Update - Occupancy/inventory growth by product:

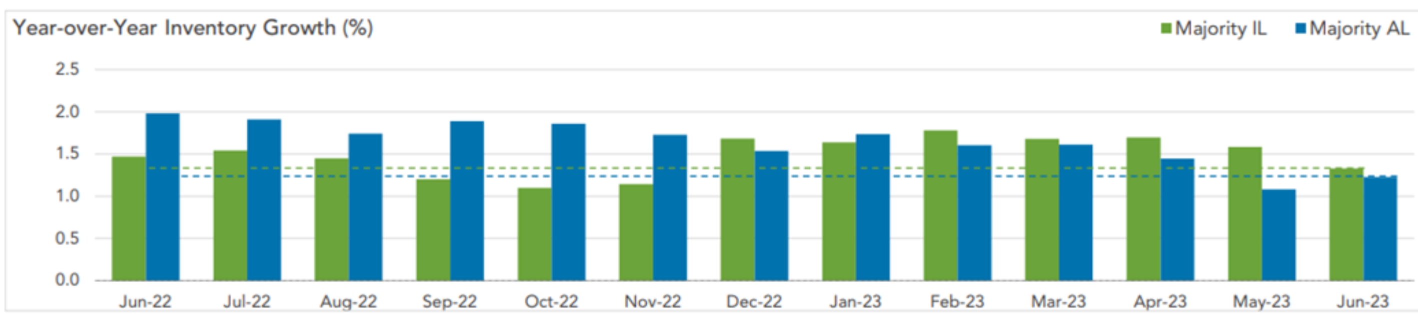
- Senior housing occupancy continued to trend upward as demand continues to outpace new supply
- <u>Occupancy</u>: NIC Maps Primary Market occupancy increased for the 8th consecutive quarter to 83.7% in 2Q2023 or 60 bps from 1Q2023
    - 2Q2023 occupancy is 590 bps higher than the low of 77.8% in June 2021, but still 350 bps lower than pre-pandemic occupancy of 87.2% in March 2020
    - Reduced occupancy gap between IL and AL/MC
- YoY inventory growth in 2Q2023 was 1.3% (NIC Primary Markets)
    - <u>Construction Starts</u>: Rolling 4-quarter starts in Primary Markets as of 2Q2023 totaled 11,673 units, a level not seen since 2012

Occupancy Trend By Care Type



Source: NIC MAP® data, powered by NIC MAP Vision

Inventory Growth Trend by Care Type



Source: NIC MAP® data, powered by NIC MAP Vision

Source: [1]U.S. Bureau of Labor Statistics (BLS) | [2]University of Michigan | [3]S&P 500

Source: NIC Map/NIC Quarterly Snapshot

V. APPENDIX

CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, 2023 (Unaudited)	December 31, 2022
Assets		
Cash and cash equivalents	$ 107,306	$ 103,926
Restricted cash	11,856	11,734
Operating real estate, net	888,684	933,002
Investments in unconsolidated ventures	128,153	176,502
Receivables, net	1,619	2,815
Intangible assets, net	2,085	2,253
Other assets	5,937	7,603
Total assets	$ 1,145,640	$ 1,237,835
Liabilities		
Mortgage and other notes payable, net	$ 904,714	$ 912,248
Due to related party	283	469
Escrow deposits payable	733	993
Accounts payable and accrued expenses	19,876	21,034
Other liabilities	1,648	2,019
Total liabilities	927,254	936,763
Equity		
Common stock	1,857	1,954
Additional paid-in capital	1,716,287	1,729,589
Retained earnings (accumulated deficit)	(1,500,547)	(1,428,840)
Accumulated other comprehensive income (loss)	—	(3,679)
Equity before NCI	217,597	299,024
Non-controlling interests	789	2,048
Total equity	218,386	301,072
Total liabilities and equity	$ 1,145,640	$ 1,237,835

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Property and other revenues				
Resident fee income	$ 11,839	$ 10,958	$ 23,689	$ 21,713
Rental income	38,568	34,277	75,567	66,836
Other revenue	1,096	139	1,815	157
Total property and other revenues	51,503	45,374	101,071	88,706
Expenses				
Property operating expenses	35,026	33,230	70,103	66,124
Interest expense	11,534	10,554	22,893	20,863
Transaction costs	—	—	97	—
Asset management fees - related party	—	2,457	—	5,104
General and administrative expenses	3,593	3,755	7,503	7,441
Depreciation and amortization	9,808	9,540	19,457	19,463
Impairment loss	43,422	13,002	43,422	13,002
Total expenses	103,383	72,538	163,475	131,997
Other income (loss)				
Other income, net	70	5	202	77
Realized gain (loss) on investments and other	(4,647)	(252)	(4,315)	335
Income (loss) before earnings of unconsolidated ventures and income taxes	(56,457)	(27,411)	(66,517)	(42,879)
Equity in earnings (losses) of unconsolidated ventures	(2,546)	34,053	(6,468)	36,555
Income tax expense	(11)	(15)	(26)	(30)
Net income (loss)	(59,014)	6,627	(73,011)	(6,354)
Net (income) loss attributable to non-controlling interests	1,233	180	1,304	225
Net income (loss) attributable to common stockholders	$ (57,781)	$ 6,807	$ (71,707)	$ (6,129)
Net income (loss) per share of common stock	$ (0.30)	$ 0.04	$ (0.37)	$ (0.03)
Weighted average number of shares of common stock outstanding	193,156,094	194,044,709	194,282,546	193,708,466
Distributions declared per share of common stock	$ —	$ 0.50	$ —	$ 0.50

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Funds from operations:				
Net income (loss) attributable to NHI	$ (57,781)	$ 6,807	$ (71,707)	$ (6,129)
Adjustments:				
Depreciation and amortization	9,808	9,540	19,457	19,463
Depreciation and amortization related to non-controlling interests	(74)	(72)	(147)	(144)
Depreciation and amortization related to unconsolidated ventures	4,543	6,926	10,191	14,096
Realized (gain) loss from sales of property	—	454	(136)	425
Realized gain (loss) from sales of property related to non-controlling interests	—	(7)	4	(6)
Realized (gain) loss from sales of property related to unconsolidated ventures	(8,152)	(41,591)	(7,894)	(43,902)
Impairment losses of depreciable real estate	38,694	13,002	38,694	13,002
Impairment loss on real estate related to non-controlling interests	(1,161)	(117)	(1,161)	(117)
Impairment losses of depreciable real estate held by unconsolidated ventures	7,682	—	7,682	20
Funds from operations attributable to NHI	$ (6,441)	$ (5,058)	$ (5,017)	$ (3,292)
Modified funds from operations:				
Funds from operations attributable to NHI	$ (6,441)	$ (5,058)	$ (5,017)	$ (3,292)
Adjustments:				
Acquisition fees and transaction costs	—	—	97	—
Amortization of premiums, discounts and fees on investments and borrowings	1,009	975	1,994	1,944
Realized (gain) loss on investments and other	4,647	(202)	4,451	(760)
Adjustments related to unconsolidated ventures	4,454	10,497	5,813	14,161
Adjustments related to non-controlling interests	(4)	(3)	(1)	4
Impairment of real estate related investment	4,728	—	4,728	—
Modified funds from operations attributable to NHI	$ 8,393	$ 6,209	$ 12,065	$ 12,057

SEGMENT INFORMATION

(In thousands)

Three Months Ended June 30, 2023	Direct Investments: Net Lease	Direct Investments: Operating	Unconsolidated Investments	Corporate	Total
Property and other revenues	$ 341	$ 50,066	$ —	$ 1,096	$ 51,503
Property operating expenses	—	(35,026)	—	—	(35,026)
Interest expense	(880)	(10,654)	—	—	(11,534)
General and administrative expenses	—	(525)	—	(3,068)	(3,593)
Depreciation and amortization	(729)	(9,079)	—	—	(9,808)
Impairment loss	—	(38,694)	(4,728)	—	(43,422)
Other income, net	—	70	—	—	70
Realized gain (loss) on investments and other	—	(49)	(4,598)	—	(4,647)
Equity in earnings (losses) of unconsolidated ventures	—	—	(2,546)	—	(2,546)
Income tax expense	—	(11)	—	—	(11)
Net income (loss)	$ (1,268)	$ (43,902)	$ (11,872)	$ (1,972)	$ (59,014)

Three Months Ended June 30, 2022	Direct Investments: Net Lease	Direct Investments: Operating	Unconsolidated Investments	Corporate	Total
Property and other revenues	$ 247	$ 44,988	$ —	$ 139	$ 45,374
Property operating expenses	(11)	(33,219)	—	—	(33,230)
Interest expense	(903)	(9,651)	—	—	(10,554)
Asset management fees - related party	—	—	—	(2,457)	(2,457)
General and administrative expenses	—	(17)	—	(3,738)	(3,755)
Depreciation and amortization	(868)	(8,672)	—	—	(9,540)
Impairment loss	—	(13,002)	—	—	(13,002)
Other income, net	—	5	—	—	5
Realized gain (loss) on investments and other	(206)	(46)	—	—	(252)
Equity in earnings (losses) of unconsolidated ventures	—	—	34,053	—	34,053
Income tax expense	—	(15)	—	—	(15)
Net income (loss)	$ (1,741)	$ (19,629)	$ 34,053	$ (6,056)	$ 6,627

SEGMENT INFORMATION (cont.)

(In thousands)

Six Months Ended June 30, 2023	Direct Investments: Net Lease	Direct Investments: Operating	Unconsolidated Investments	Corporate	Total
Property and other revenues	$ 341	$ 98,915	$ —	$ 1,815	$ 101,071
Property operating expenses	—	(70,103)	—	—	(70,103)
Interest expense	(1,755)	(21,138)	—	—	(22,893)
Transaction costs	—	—	—	(97)	(97)
General and administrative expenses	—	(525)	—	(6,978)	(7,503)
Depreciation and amortization	(1,458)	(17,999)	—	—	(19,457)
Impairment loss	—	(38,694)	(4,728)	—	(43,422)
Other income, net	—	202	—	—	202
Realized gain (loss) on investments and other	—	283	(4,598)	—	(4,315)
Equity in earnings (losses) of unconsolidated ventures	—	—	(6,468)	—	(6,468)
Income tax expense	—	(26)	—	—	(26)
Net income (loss)	$ (2,872)	$ (49,085)	$ (15,794)	$ (5,260)	$ (73,011)

Six Months Ended June 30, 2022	Direct Investments: Net Lease	Direct Investments: Operating	Unconsolidated Investments	Corporate	Total
Property and other revenues	$ 496	$ 88,053	$ —	$ 157	$ 88,706
Property operating expenses	(35)	(66,089)	—	—	(66,124)
Interest expense	(1,801)	(19,062)	—	—	(20,863)
Asset management fees - related party	—	—	—	(5,104)	(5,104)
General and administrative expenses	—	(17)	—	(7,424)	(7,441)
Depreciation and amortization	(1,731)	(17,732)	—	—	(19,463)
Impairment loss	—	(13,002)	—	—	(13,002)
Other income, net	—	77	—	—	77
Realized gain (loss) on investments and other	(206)	295	246	—	335
Equity in earnings (losses) of unconsolidated ventures	—	—	36,555	—	36,555
Income tax expense	—	(30)	—	—	(30)
Net income (loss)	$ (3,277)	$ (27,507)	$ 36,801	$ (12,371)	$ (6,354)

FOOTNOTES

Page 5 – Our Investments

1. Classification based on predominant services provided, but may include other services.
2. For direct investments, amount represents operating real estate, before accumulated depreciation as presented in our consolidated financial statements as of June 30, 2023. For unconsolidated investments, amount represents the carrying value of our investments in unconsolidated ventures as presented in our consolidated financial statements as of June 30, 2023.
3. Includes institutional pharmacy, therapy businesses and lease purchase buy-out options, which are not subject to property count.
4. Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.

Page 8 – Direct Investments - Key Metrics

1. Represents rooms for ALFs, ILFs and MCFs, based on predominant type.
2. Includes rental income received from the Company's net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from the Company's ALFs and MCFs, which includes resident room and care charges, ancillary fees and other resident service charges.
3. Solstice is a joint venture of which affiliates of ISL own 80%.
4. During the six months ended June 30, 2023, we recorded rental income to the extent payments were received.
5. Consists primarily of interest income earned on corporate-level cash accounts.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS

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

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

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance upon completion of our organization and offering, and acquisition and development stages. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we determined not to pursue an exit strategy.

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. In addition, MFFO is not a useful measure in evaluating net asset value, since impairment is taken into account in determining net asset value but not in determining MFFO.

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

COMPANY INFORMATION

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries, owns a diversified portfolio of seniors housing properties, including independent living facilities, assisted living and memory care facilities located throughout the United States. In addition, the Company also has made investments through non-controlling interests in joint ventures in a broader spectrum of healthcare real estate, including seniors housing properties, as well as skilled nursing ("SNF") and ancillary services businesses, located throughout 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 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 conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

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.

Shareholder Information

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