NorthStar
HEALTHCARE INCOME

2019 ANNUAL REPORT

To Our Stockholders,

On behalf of your board of directors and management team, we at NorthStar Healthcare Income, Inc. (NorthStar Healthcare or the Company) would like to share with you an update on the Company's performance during 2019 and its objectives for 2020, particularly in light of the COVID-19 pandemic and its pronounced effects on the economy and healthcare real estate specifically.

2019 was another challenging year for the seniors housing market, including NorthStar Healthcare. We, like many others, continued to face occupancy challenges in select markets due to oversupply, while at the same time coping with rising labor costs and other expenses. We nevertheless made significant headway on the objectives we set out last year, including progress towards stabilization following operator transitions and significant investment in capital expenditures to drive value. During 2019:

- Despite industry headwinds, the performance of our direct operating investments improved over prior year results. On a same store basis (which excludes properties placed in service and/or sold during 2018 or 2019), rental and resident fee income, net of property operating expenses, of our direct operating investments increased to $76.8 million for the year ended December 31, 2019, as compared to $67.3 million for the year ended December 31, 2018.
- Weighted average resident occupancy of our operating properties remained consistent with the prior year at 81.6%.
- NorthStar Healthcare's board of directors approved a new estimated net asset value of $6.25 per share as of June 30, 2019, based solely on the most recent information practically available as of June 30, 2019, which reflects a decrease of approximately 12% on the prior year's estimated net asset value per share.

2020 brings new challenges, as we confront the impact of the COVID-19 pandemic. First, we are committed to supporting our operating partners as they navigate this unprecedented time, while striving to protect the health and safety of residents and staff. At the same time, we are focused on mitigating the financial impact of COVID-19 on NorthStar Healthcare and its properties, including actively managing capital needs and liquidity in order to best position NorthStar Healthcare to manage through this crisis and preserve long-term value for stockholders.

We appreciate your investment and continued confidence in Colony Capital, Inc. and NorthStar Healthcare. Despite the anticipated challenges in the year ahead, we are highly focused on protecting the near term value of our investments and, as always, remain committed to our constituents and our ultimate goal of maximizing long term value for our stockholders.

Sincerely,

Ronald J. Jeanneault
Chief Executive Officer,
President & Vice Chairman

Justin Chang
Chairman

NORTHSTAR HEALTHCARE INCOME, INC.

2019 ANNUAL REPORT

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Upon written request, we will provide, without charge, a copy of our Annual Report on Form 10-K, including the financial statements and financial statement schedules required to be filed therewith. All such requests should be submitted to NorthStar Healthcare Income, Inc., 590 Madison Avenue, 34th Floor, New York, New York 10022, Attn: General Counsel.

OTHER FINANCIAL INFORMATION

Information included in this annual report to stockholders (this "Annual Report") was excerpted from our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as filed with the U.S. Securities and Exchange Commission (the ''SEC'') on March 20, 2020 (the ''2019 Form 10-K''). Certain portions of the 2019 Form 10-K were not reprinted for inclusion in this Annual Report in accordance with SEC regulations. The 2019 Form 10-K may be viewed in its entirety on our website at *NorthStarHealthcareReit.com*. References herein to Parts or Items are references to such sections of the 2019 Form 10-K.

For information regarding the independent directors' report on the fairness of all transactions involving us, our directors, our advisor, our sponsor and any affiliate of such parties, please see "Certain Relationships and Related Transactions" of our 2020 proxy statement.

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "believe," "could," "project," "predict," "continue," "future" or other similar words or expressions. Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Such statements include, but are not limited to, those relating to our ability to make distributions to our stockholders, our reliance on our advisor and our sponsor, 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. These factors include, but are not limited to:

- our ability to manage our liquidity and access to capital;
- our ability to implement our business strategy;
- our dependence on our managers and tenants to operate our properties successfully and in compliance with applicable law and the terms of our borrowings;
- the ability and willingness of our tenants, operators, managers and other third parties to satisfy their respective obligations to us, including in some cases their obligation to indemnify us from and against various claims and liabilities;
- the ability of our property managers and tenants to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to us and third parties;
- factors that can cause volatility in our operating income generated by our operating properties, including without limitation national and regional economic conditions, development of new competing properties, costs and availability of food, materials, energy, labor and services, employee benefit costs, insurance costs and professional and general liability claims, actual or threatened public health epidemics or outbreaks, such as coronavirus, and the timely delivery of accurate property-level financial results for those properties;
- the ability and willingness of our tenants to renew their leases with us upon expiration of the leases and our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event of a termination or default;
- our ability to comply with the terms of our borrowings, which depends in part on the performance of our tenants and managers;
- the nature and extent of future competition, including new construction in the markets in which our assets are located;
- the extent and timing of future healthcare reform and regulation, including changes in reimbursement policies, procedures and rates;
- risks associated with our joint ventures and unconsolidated entities, including our reliance on joint venture partners, lack of decision making authority and the financial condition of our joint venture partners;
- our dependence on the resources and personnel of our advisor, our sponsor and their affiliates, including our advisor's ability to manage our portfolio on our behalf;
- the performance of our advisor, our sponsor and their affiliates;
- the impact of continued business uncertainties surrounding our sponsor, as well as adverse changes in the financial health and public perception of our sponsor;
- our advisor's and its affiliates' ability to attract and retain qualified personnel to support our operations and potential changes to key personnel providing management services to us;
- our reliance on our advisor and its affiliates and sub-advisors/co-venturers in providing management services to us, the payment of substantial fees to our advisor, and various potential conflicts of interest in our relationship with our sponsor;

- our use of leverage;
- the impact of fluctuations in interest rates;
- illiquidity of properties, joint venture or debt investments in our portfolio;
- our ability to make distributions to our stockholders;
- the lack of a public trading market for our shares;
- the effect of paying distributions to our stockholders from sources other than cash flow provided by operations;
- the potential failure to maintain effective internal controls and disclosure controls and procedures;
- regulatory requirements with respect to our business and the healthcare industry generally, as well as the related cost of compliance;
- legislative and regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or REITs;
- our ability to maintain our qualification as a REIT for federal income tax purposes and limitations imposed on our business by our status as a REIT;
- the loss of our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act; and
- other risks associated with investing in our targeted investments, including changes in our industry, interest rates, the securities markets, the general economy or the capital markets and real estate markets specifically.

The foregoing list of factors is not exhaustive. All forward-looking statements included in this Annual Report 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 the "Risk Factors" in our 2019 Form 10-K. 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.

BUSINESS

References to "we," "us" or "our" refer to NorthStar Healthcare Income, Inc. and its subsidiaries, in all cases acting through its external advisor, unless context specifically requires otherwise.

Overview

We were formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, which we define as assisted living, memory care, skilled nursing and independent living facilities and continuing care retirement communities. We also invest in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. Our investments are predominantly in the United States, but we also selectively make international investments.

We were formed in October 2010 as a Maryland corporation and commenced operations in February 2013. We elected to be taxed as a real estate investment trust, or 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 completed our initial public offering, or our Initial Offering, on February 2, 2015 by raising gross proceeds of $1.1 billion, including 108.6 million shares issued in our initial primary offering, or our Initial Primary Offering, and 2.0 million shares issued pursuant to our distribution reinvestment plan, or our DRP. In addition, we completed our follow-on offering, or our Follow-On Offering, on January 19, 2016 by raising gross proceeds of $700.0 million, including 64.9 million shares issued in our follow-on primary offering, or our Follow-on Primary Offering, and 4.2 million shares issued pursuant to our DRP. We refer to our Initial Primary Offering and our Follow-on Primary Offering collectively as our Primary Offering and our Initial Offering and Follow-On Offering collectively as our Offering. In December 2015, we registered an additional 30.0 million shares to be offered pursuant to our DRP. From inception through March 19, 2020, we raised total gross proceeds of $2.0 billion, including $232.6 million in DRP proceeds.

We are externally managed and have no employees. We are sponsored by Colony Capital, Inc. (NYSE: CLNY), or Colony Capital or our Sponsor, which was formed as a result of the mergers of NorthStar Asset Management Group Inc., or NSAM, our prior sponsor, with Colony Capital, Inc., or Colony, and NorthStar Realty Finance Corp., or NorthStar Realty, in January 2017. Effective June 25, 2018, the Sponsor changed its name from Colony NorthStar, Inc. to Colony Capital, Inc. and its ticker symbol from "CLNS" to "CLNY." Following the mergers, our Sponsor became an internally-managed equity REIT, with a diversified real estate and investment management platform.

Colony Capital manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies, which we refer to collectively as the Managed Companies. As of December 31, 2019, our Sponsor had $49 billion of assets under management, including Colony Capital's balance sheet investments and third-party managed investments. Our advisor, CNI NSHC Advisors, LLC, or our Advisor, is a subsidiary of Colony Capital and manages our day-to-day operations pursuant to an advisory agreement.

Our Strategy

Our primary objective is to invest in our portfolio and manage liquidity in order to maximize shareholder value. The key elements of our strategy include:

- *Grow the Operating Income Generated by Our Portfolio.* Through active portfolio management, we will continue to review and implement operating strategies and initiatives in order to enhance the performance of our existing investment portfolio.
- *Pursue Strategic Capital Expenditures and Development Opportunities.* We will continue to invest capital into our operating portfolio in order to maintain market position as well as functional and operating standards. In addition, we will continue to execute on and identify strategic development opportunities for our existing investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide an optimal mix of services and enhance the overall value of our assets.
- *Consider Selective Dispositions and Opportunities for Asset Repositioning*. We will consider selective dispositions of assets in connection with strategic repositioning of assets or otherwise where we believe the disposition will achieve a desired return or opportunities exist to enhance overall returns or improve our liquidity position. As the healthcare industry evolves, we will continue to assess the need for strategic asset repositioning, including evaluating assets, operators and markets to position our portfolio for optimal performance.

- *Maintain a Diversified Portfolio*. We believe that mid-acuity senior housing facilities provide an opportunity to generate risk-adjusted returns and benefit from positive future demographic trends. In addition, we believe that maintaining a balanced portfolio of assets diversified by investment type, geographic location, asset type, revenue source and operating model may mitigate the risk that any single factor or event could materially harm our business. Portfolio diversification also enhances the reliability of our cash flows by reducing our exposure to single-state regulatory or reimbursement changes, regional climate events and local economic downturns.

- *Financing Strategy.* We use asset-level financing as part of our investment strategy to leverage our investments while managing refinancing and interest rate risk. We typically finance our investments with medium to long-term, non-recourse mortgage loans, though our borrowing levels and terms vary depending upon the nature of the assets and the related financing. In addition, our Sponsor has made available a revolving line of credit to provide additional short-term liquidity as needed. Refer to "Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Our Investments

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

Our primary investment segments are as follows:

- Direct Investments - Net Lease - Healthcare properties operated under net leases with a tenant operator.

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

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

- Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities, or CMBS, backed primarily by loans secured by healthcare properties. As of December 31, 2019, we had one mezzanine loan.

For financial information regarding our reportable segments, refer to Note 13, "Segment Reporting" in our accompanying consolidated financial statements included in "Financial Statements and Supplementary Data."

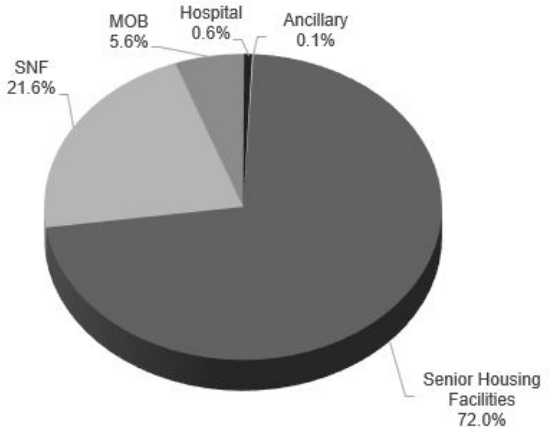
The following table presents a summary of investments as of December 31, 2019 (dollars in thousands):

Investment Type / Portfolio	Amount[3]	Properties[1][2] Senior Housing	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Net Lease								
Watermark Fountains[4]	$ 288,836	6	—	—	—	6	Various	100.0%
Arbors	126,825	4	—	—	—	4	Northeast	100.0%
Peregrine	10,000	1	—	—	—	1	Southeast	100.0%
Subtotal	$ 425,661	11	—	—	—	11		
Direct Investments - Operating								
Winterfell	$ 904,985	32	—	—	—	32	Various	100.0%
Watermark Fountains[4]	356,914	9	—	—	—	9	Various	97.0%
Rochester	219,518	10	—	—	—	10	Northeast	97.0%
Watermark Aqua	116,216	5	—	—	—	5	West/Southwest/Midwest	97.0%
Avamere	99,438	5	—	—	—	5	Northwest	100.0%
Oak Cottage	19,427	1	—	—	—	1	West	100.0%
Kansas City	15,000	2	—	—	—	2	Midwest	100.0%
Subtotal	$ 1,731,498	64	—	—	—	64		
Unconsolidated Investments								
Griffin-American	$ 456,639	92	108	41	9	250	Various	14.3%
Trilogy[5]	346,219	9	—	67	—	76	Various	23.2%
Espresso	317,166	6	—	148	—	154	Various	36.7%
Eclipse	50,437	44	—	23	—	67	Various	5.6%
Solstice[6]	—	—	—	—	—	—	Various	20.0%
Subtotal	$ 1,170,461	151	108	279	9	547		
Debt and Securities Investments								
Mezzanine Loan[7]	$ 74,182	—	—	—	—	—		
Total Investments	$ 3,401,802	226	108	279	9	622		

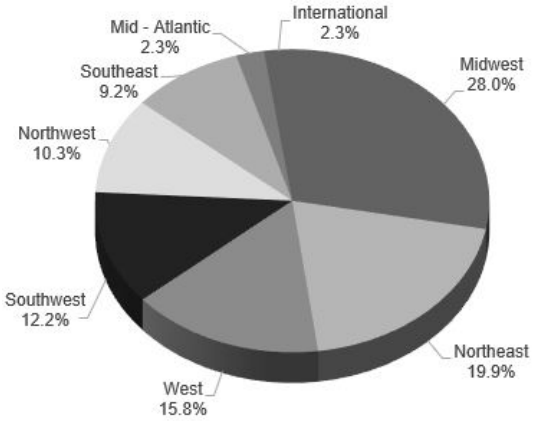
(1) Classification based on predominant services provided, but may include other services.
(2) Excludes properties held for sale.
(3) Based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Does not include cost of properties held for sale. For real estate debt, based on principal amount. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
(4) Watermark Fountains portfolio consists of six wholly-owned net lease properties totaling $288.8 million and nine operating facilities totaling $356.9 million, in which we own a 97.0% interest. One of the operating facilities consists of eight condominium units in which we hold future interests, or the Remainder Interests.
(5) Includes institutional pharmacy, therapy businesses and lease purchase buy-out options in connection with the Trilogy investment, which are not subject to property count.
(6) Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.
(7) Our mezzanine loan was originated to a subsidiary of our joint venture with Formation Capital, LLC, or Formation, and Safanad Management Limited, which we refer to as Espresso.

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

Real Estate Equity by Property Type[1]



Real Estate Equity by Geographic Location



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

Our investments include the following types of healthcare facilities as of December 31, 2019:

- *Senior Housing.* We define senior housing to include ILFs, ALFs, MCFs and CCRCs, as described in further detail below. Revenues generated by senior housing facilities typically come from private pay sources, including private insurance, and to a much lesser extent government reimbursement programs, such as Medicare and Medicaid.
    - *Assisted living facilities.* ALFs provide services that include minimal assistance for activities in daily living and permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at the facility on call or at regularly scheduled times. ALFs typically are comprised of one and two bedroom suites equipped with private bathrooms and efficiency kitchens.
    - *Independent living facilities.* ILFs are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, nutrition and limited laundry services. ILFs are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. ILFs typically offer several services covered under a regular monthly fee.
    - *Memory care facilities.* MCFs offer specialized options for seniors with Alzheimer's disease and other forms of dementia. Purpose built, free-standing MCFs offer an attractive alternative for private-pay residents affected by memory loss in comparison to other accommodations that typically have been provided within a secured unit of an ALF or SNF. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional ALFs. Residents require a higher level of care and more assistance with activities of daily living than in ALFs. Therefore, these facilities have staff available 24 hours a day to respond to the unique needs of their residents.
    - *Continuing care retirement community.* CCRCs provide, as a continuum of care, the services described for ILFs, ALFs and SNFs in an integrated campus. CCRCs can be structured to offer services covered under a regular monthly rental fee or under a one-time upfront entrance fee, which is partially refundable in certain circumstances. Residents under entrance fee agreements may also pay a monthly service fee, which entitles them to the use of certain amenities and services, however, the monthly fees are generally less than fees at a comparable rental community. The refundable portion of a resident's entrance fee is generally refundable within a certain period following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or after the resident vacates the unit. Some entrance fee agreements entitle the resident to a refund of the original entrance fee paid plus a percentage of the appreciation of the unit upon resale.
- *Skilled Nursing Facilities.* SNFs provide services that include daily nursing, therapeutic rehabilitation, social services, housekeeping, nutrition and administrative services for individuals requiring certain assistance for activities in daily

living. A typical SNF includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities. Revenues generated from SNFs typically come from government reimbursement programs, including Medicare and Medicaid, as well as private pay sources, including private insurance.

- *Medical Office Buildings.* MOBs are typically either single-tenant properties associated with a specialty group or multi-tenant properties leased to several unrelated medical practices. Tenants include physicians, dentists, psychologists, therapists and other healthcare providers, who require space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. MOBs are similar to commercial office buildings, although they require greater plumbing, electrical and mechanical systems to accommodate physicians' requirements such as sinks in every room, brighter lights and specialized medical equipment.
- *Hospitals. S*ervices provided by operators and tenants in hospitals are paid for by private sources, third-party payers (e.g., insurance and Health Maintenance Organizations), or through the Medicare and Medicaid programs. Our hospital properties typically will include acute care, long-term acute care, specialty and rehabilitation hospitals and generally are leased to single tenants or operators under triple-net lease structures.

Direct Investments - Operating

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

The weighted average resident occupancy of our operating properties was 81.6% for the year ended December 31, 2019.

Direct Investments - Net Lease

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

Our net lease properties are leased to three operators. The remaining lease term for each tenant as of December 31, 2019 is as follows:

Tenant	Properties Leased	Remaining Lease Term (Years)
Watermark Retirement Communities	6	2.3
Arcadia Management	4	9.8
Senior Lifestyle Corporation	2	(1)

(1) Tenant is in default under its lease.

Operators and Tenants

The following table presents the operators and tenants of our direct investments as of December 31, 2019 (dollars in thousands):

Operator / Tenant		Properties Under Management	Units Under Management[1]	Year Ended December 31, 2019	
				Property and Other Revenues[2]	% of Total Property and Other Revenues
Watermark Retirement Communities		30	5,265	$ 152,351	52.0%
Solstice Senior Living	(3)	32	4,000	105,497	36.0%
Avamere Health Services		5	453	16,979	5.8%
Arcadia Management		4	572	10,615	3.6%
Integral Senior Living	(3)	3	162	6,417	2.2%
Peregrine Senior Living	(4)	—	—	598	0.2%
Senior Lifestyle Corporation	(5)	1	63	—	—%
Other	(6)	—	—	721	0.2%
Total		75	10,515	$ 293,178	100.0%

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs, MCFs and CCRCs, 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) In May 2019, we sold the two properties that were leased to Peregrine Senior Living.
(5) Tenant has failed to remit rental payments during the year ended December 31, 2019. Properties and unit counts exclude one property held for sale.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As a result, we are dependent upon their personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections.

Unconsolidated Investments

As of December 31, 2019, our unconsolidated investments included the following:

Portfolio	Partner	Acquisition Date	Ownership	AUM[2]	Equity Investment[3]	Properties as of December 31, 2019[1]				
						Senior Housing Facilities	MOB	SNF	Hospitals	Total
Eclipse	Colony Capital/ Formation Capital, LLC	May-2014	5.6%	$ 50,437	$ 23,400	44	—	23	—	67
Griffin-American	Colony Capital	Dec-2014	14.3%	456,639	243,544	92	108	41	9	250
Espresso	Formation Capital, LLC/ Safanad Management Limited	Jul-2015	36.7%	317,166	55,146	6	—	148	—	154
Trilogy[4]	Griffin-American Healthcare REIT III & IV /Management Team of Trilogy Investors, LLC	Dec-2015	23.2%	346,219	189,032	9	—	67	—	76
Subtotal				$ 1,170,461	$ 511,122	151	108	279	9	547
Solstice		Jul-2017	20.0%	—	2	—	—	—	—	—
Total				$ 1,170,461	$ 511,124	151	108	279	9	547

(1) Excludes properties classified as held for sale.
(2) Represents assets under management based on cost, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Does not include cost of properties held for sale.
(3) Represents initial and subsequent contributions to the underlying joint venture through December 31, 2019. During the year ended December 31, 2019, we funded an additional capital contribution of $2.4 million into the Trilogy joint venture and $37.4 million into the Griffin-American joint venture. The additional funding for Trilogy related to certain business initiatives, including the development of additional senior housing and SNFs. The additional funding for Griffin-American related to refinancing of existing mortgage debt.
(4) In October 2018, we sold 20.0% of our ownership interest in the Trilogy joint venture, which reduced our ownership interest in the joint venture from approximately 29% to 23%.

- *Eclipse.* Portfolio of SNFs and ALFs leased to, or managed by, a variety of different operators across the United States. Our Sponsor and other minority partners and Formation own 86.4% and 8.0% of this portfolio, respectively.
- *Griffin-American.* Portfolio of SNFs, ALFs, MOBs and hospitals across the United States and care homes in the United Kingdom. Our Sponsor and other minority partners own the remaining 85.7% of this portfolio.
- *Espresso.* Portfolio of predominantly SNFs, located in various regions across the United States, and organized in six sub-portfolios and currently leased to nine different operators under net leases. An affiliate of Formation acts as the general partner and manager of this investment. Formation and Safanad Management Limited own the remaining 63.3% of this portfolio. We also have extended a mezzanine loan to this portfolio. Refer to "—Debt and Securities Investments Overview" below.
- *Trilogy*. Portfolio of predominantly SNFs located in the Midwest and operated pursuant to management agreements with Trilogy Health Services, as well as ancillary services businesses, including a therapy business and a pharmacy business. Griffin-American Healthcare REIT III, Inc., or GAHR3, Griffin-American Healthcare REIT IV, Inc., or GAHR4, and management of Trilogy own the remaining 76.8% of this portfolio.
- *Solstice.* Operator platform joint venture established to manage the operations of the Winterfell portfolio. An affiliate of ISL owns the remaining 80.0%.
- *Envoy.* In March 2019, the Envoy joint venture, of which we own an 11.4% interest, completed the sale of its remaining 11 properties, for a sales price of $118.0 million, which generated net proceeds to us totaling $4.3 million.

Debt and Securities Investments Overview

As of December 31, 2019, our investments in real estate debt secured by healthcare facilities consisted of one mezzanine loan, which matures on January 30, 2021. Our mezzanine loan relates to the Espresso portfolio, in which we also have an equity investment. Refer to "—Unconsolidated Investments" above.

The following table presents a summary of our debt investment as of December 31, 2019 (dollars in thousands):

Investment Type:	Count	Principal Amount	Carrying Value[2]	Fixed Rate	Unleveraged Current Yield
Espresso Mezzanine loan[1]	1	$ 74,182	$ 55,468	10.0%	10.3%

(1) Property type underlying the mezzanine loan predominately includes SNFs, which are located primarily in the Midwest, Northeast and Southeast regions of the United States.
(2) As a result of impairments and other non-cash reserves recorded by the joint venture, the carrying value of our Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. We have recorded the excess equity in losses related to our unconsolidated investment as a reduction to the carrying value of our mezzanine loan, which was originated to a subsidiary of the Espresso joint venture. As of December 31, 2019 and December 31, 2018, the cumulative excess equity in losses included in our mezzanine loan carrying value were $18.6 million and $16.2 million, respectively.

As of December 31, 2019, our debt investment was performing in accordance with the contractual terms of its governing documents. Although various defaults under leases and senior secured loans existed as of December 31, 2019, none of these defaults resulted in a default under our debt investment as of December 31, 2019. We continue to assess the collectability of principal and interest. As of March 19, 2020, contractual debt service on the Espresso mezzanine loan has been paid in accordance with contractual terms.

Portfolio Management

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

Formation provides asset management services to us in connection with the Eclipse and Espresso joint ventures. Our Advisor, under the direction of its investment committee, supervises Formation and retains ultimate oversight and responsibility for the management of our portfolio.

Our Advisor, together with Formation (referred to herein as our Advisor's asset management team), are experienced and use many methods to actively manage our asset base to enhance or preserve our income, value and capital and mitigate risk. Our Advisor's asset management team seeks to identify strategic development opportunities for our existing and future investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide optimal mix of services and enhance the overall value of our assets. To manage risk, our Advisor's asset management team engages in frequent review and dialogue with operators/managers/borrowers/third party advisors and periodic inspections of our owned properties and collateral. In addition, our Advisor's asset management team considers the impact of regulatory changes on the performance of our portfolio. During the quarterly credit and operating results review, or more frequently as necessary, investments are put on highly-monitored status, as appropriate, based upon several factors, including missed or late contractual payments, significant declines in performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. Each situation depends on many factors, including the number of properties, the type of property, macro and local market conditions impacting supply/demand, cash flow and the financial condition of our operators/managers/borrowers.

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

Independent Directors' Review of Our Policies

As required by our charter, our independent directors have reviewed our policies, including but not limited to our policies regarding investments, leverage, conflicts of interest and investment allocation and determined that they are in the best interests of our stockholders.

Regulation

We are subject, in certain circumstances, to supervision and regulation by state and federal governmental authorities and are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things:

- require compliance with applicable REIT rules;
- regulate healthcare operators, including those in the senior housing sector that may be our operators, with respect to licensure, certification for participation in government programs and relationships with patients, physicians, tenants and other referral sources;
- regulate occupational health and safety;
- regulate removal or remediation of hazardous or toxic substances;
- regulate land use and zoning;
- regulate removal of barriers to access by persons with disabilities and other public accommodations;
- regulate tax treatment and accounting standards; and
- regulate use of derivative instruments and our ability to hedge our risks related to fluctuations in interest rates and exchange rates.

Tax Regulation

We elected to be taxed as a REIT under the Internal Revenue Code, commencing with our taxable year ended December 31, 2013. If we maintain our qualification as a REIT for federal income tax purposes, we will generally not be subject to federal income tax on our taxable income that we distribute as dividends to our stockholders. If we fail to maintain our qualification as a REIT in any taxable year after electing REIT status, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and will generally not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income. However, we believe that we are organized and operate in a manner that enables us to qualify for treatment as a REIT for federal income tax purposes and we intend to continue to operate so as to remain qualified as a REIT for federal income tax purposes. In addition, we operate certain healthcare properties through structures permitted under the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA, which permit the Company, through taxable REIT subsidiaries, or TRSs, to have direct exposure to resident fee income and incur related operating expenses.

The Protecting Americans from Tax Hikes Act of 2015

On December 18, 2015, President Obama signed into law the Consolidated Appropriations Act, 2016, an omnibus spending bill, with a provision referred to as the Protecting Americans from Tax Hikes Act of 2015, or the PATH Act. On June 7, 2016, the Internal Revenue Service, or the IRS, issued temporary Treasury Regulations under the PATH Act, finalized in part in Treasury Regulations issued on January 17, 2017. The PATH Act and the accompanying Treasury Regulations changed certain of the rules affecting REIT qualification and taxation of REITs and REIT stockholders described under the heading "U.S. Federal Income Tax Considerations" in our prospectus included in our Registration Statement on Form S-3 filed December 7, 2015. These changes are briefly summarized as follows:

- For taxable years beginning after 2017, the percentage of a REIT's total assets that may be represented by securities of one or more TRSs was reduced from 25% to 20%.
- For distributions in taxable years beginning after 2014, the preferential dividend rules no longer apply to us as a "publicly offered REIT," as defined in Internal Revenue Code Section 562(c)(2).
- For taxable years beginning after 2015, debt instruments issued by publicly offered REITs are treated as real estate assets for purposes of the 75% asset test, but interest on debt of a publicly offered REIT will not be qualifying income under the 75% gross income test unless the debt is secured by real property. Under a new asset test, not more than 25% of the value of a REIT's assets may consist of debt instruments that are issued by publicly offered REITs and would not otherwise be treated as qualifying real estate assets.
- For taxable years beginning after 2015, to the extent rent attributable to personal property is treated as rents from real property (because rent attributable to the personal property for the taxable year does not exceed 15% of the total rent for the taxable year for such real and personal property), the personal property will be treated as a real estate asset for purposes of the 75% asset test. Similarly, a debt obligation secured by a mortgage on both real and personal property will be treated as a real estate asset for purposes of the 75% asset test, and interest thereon will be treated as interest on an obligation secured by real property, if the fair market value of the personal property does not exceed 15% of the fair market value of all property securing the debt.
- For taxable years beginning after 2015, a 100% excise tax will apply to "redetermined services income," i.e., non-arm's-length income of a REIT's TRS attributable to services provided to, or on behalf of, the REIT (other than services provided to REIT tenants, which are potentially taxed as redetermined rents).
- For taxable years beginning after 2014, the period during which dispositions of properties with net built-in gains acquired from C corporations in carry-over basis transactions will trigger the built-in gains tax was reduced from ten years to five years.
- REITs are subject to a 100% tax on net income from "prohibited transactions," i.e., sales of dealer property (other than "foreclosure property"). These rules also contain a safe harbor under which certain sales of real estate assets will not be treated as prohibited transactions. One of the requirements for the pre-PATH Act safe harbor was that (I) the REIT did not make more than seven sales of property (subject to specified exceptions) during the taxable year at issue, or (II) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property (other than excepted property) sold during the taxable year did not exceed 10% of the aggregate bases in the REIT's assets as of the beginning of the taxable year, or (III) the fair market value of property (other than excepted property) sold during the taxable year did not exceed 10% of the fair market value of the REIT's total assets as of the beginning of the taxable year. If a REIT relied on clause (II) or (III), substantially all of the marketing and certain development expenditures with respect to the properties sold must have been made through an independent contractor. For taxable years beginning after December 18, 2015, clauses (II) and (III) were liberalized to permit the REIT to sell properties with an aggregate adjusted basis (or fair market value) of up to 20% of the aggregate bases in (or fair market value of) the REIT's assets as long as the 10% standard is satisfied on average over the three-year period comprised of the taxable year at issue and the two immediately preceding taxable years. In addition, for taxable years beginning after 2015, for REITs that rely on clauses (II) or (III), a TRS may make the marketing and development expenditures that previously had to be made by independent contractors.
- A number of changes applicable to REITs were made to the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, rules for taxing non-U.S. persons on gains from sales of U.S. real property interests, or USRPIs:
  - For dispositions and distributions on or after December 18, 2015, the stock ownership thresholds for exemption from FIRPTA taxation on sale of stock of a publicly traded REIT and for recharacterizing capital gain dividends as ordinary dividends were increased from not more than 5% to not more than 10%.
  - Effective December 18, 2015, new rules simplified the determination of whether we are a "domestically controlled qualified investment entity."

- For dispositions and distributions after December 18, 2015, "qualified foreign pension funds" as defined in new Internal Revenue Code Section 897(l)(2) and entities that are wholly owned by a qualified foreign pension fund are exempted from FIRPTA and FIRPTA withholding. New FIRPTA rules also apply to "qualified shareholders" as defined in Internal Revenue Code Section 897(k)(3).
- For sales of USRPIs occurring after February 16, 2016, the FIRPTA withholding rate for sales of USRPIs and certain distributions generally increased from 10% to 15%.

The Tax Cuts and Jobs Act

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act, or the TCJA. The TCJA made major changes to the Internal Revenue Code including several provisions of the Internal Revenue Code that may affect the taxation of REITs and their securityholders described under the heading "U.S. Federal Income Tax Considerations" in our prospectus included in our Registration Statement on Form S-3 filed December 7, 2015. The most significant of these provisions are briefly summarized as follows:

- With respect to individuals, the TCJA made significant changes to individual tax rates and deductions:
  - The TCJA created seven income tax brackets for individuals ranging from 10% to 37% that generally apply at higher thresholds than current law. For example, the highest 37% rate applies to joint return filer incomes above $600,000, instead of the highest 39.6% rate that applied to incomes above $470,700 under pre-TCJA law.
  - The maximum 20% rate that applies to long-term capital gains and qualified dividend income remained unchanged, as did the 3.8% Medicare tax on net investment income.
  - The TCJA eliminated personal exemptions, but nearly doubled the standard deduction for most individuals (for example, the standard deduction for joint return filers rose from $12,700 in 2017 to $24,000 in 2018).
  - The TCJA eliminated many itemized deductions, limited individual deductions for state and local income, property and sales taxes (other than those paid in a trade or business) to $10,000 collectively for joint return filers, and limited the amount of new acquisition indebtedness on principal or second residences for which mortgage interest deductions are available to $750,000. Interest deductions for new home equity debt were eliminated.
  - Charitable deductions were generally preserved. The phaseout of itemized deductions based on income was eliminated.
  - The TCJA did not eliminate the individual alternative minimum tax, but it raised the exemption and exemption phaseout threshold for application of the tax.
  - These individual income tax changes were generally effective beginning in 2018, but without further legislation, they will sunset after 2025.
- Under the TCJA, individuals, trusts, and estates generally may deduct 20% of "qualified business income" (generally, domestic trade or business income other than certain investment items) of certain pass-through entities. In addition, "qualified REIT dividends" (i.e., REIT dividends other than capital gain dividends and portions of REIT dividends designated as qualified dividend income, which in each case are already eligible for capital gain tax rates) and certain other income items are eligible for the deduction by the taxpayer. The overall deduction is limited to 20% of the sum of the taxpayer's taxable income (less net capital gain) and certain cooperative dividends, subject to further limitations based on taxable income. In addition, for taxpayers with income above a certain threshold (e.g., $315,000 for joint return filers), the deduction for each trade or business is generally limited to no more than the greater of (i) 50% of the taxpayer's proportionate share of total wages from the pass-through entity, or (ii) 25% of the taxpayer's proportionate share of such total wages plus 2.5% of the unadjusted basis of acquired tangible depreciable property that is used to produce qualified business income and satisfies certain other requirements. The deduction for qualified REIT dividends is not subject to these wage and property basis limits. Consequently, the deduction equates to a maximum 29.6% tax rate on ordinary REIT dividends. As with the other individual income tax changes, the deduction provisions were effective beginning in 2018. Without further legislation, the deduction would sunset after 2025.
- Net operating loss, or NOL, provisions were modified by the TCJA. The TCJA limited the NOL deduction to 80% of taxable income (before the deduction). It also generally eliminated NOL carrybacks for individuals and non-REIT corporations (NOL carrybacks did not apply to REITs under prior law), but allows indefinite NOL carryforwards. The new NOL rules apply to losses arising in taxable years beginning in 2018.
- The TCJA reduced the 35% maximum federal corporate income tax rate to a maximum 21% rate, and reduced the dividends-received deduction for certain corporate subsidiaries. The reduction of the federal corporate income tax rate to 21% also results in the reduction of the maximum rate of withholding with respect to our distributions to non-U.S.

stockholders that are treated as attributable to gains from the sale or exchange of USRPIs from 35% to 21%. The TCJA also permanently eliminated the corporate alternative minimum tax. These provisions were effective beginning in 2018.

- The TCJA limited a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limit is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level. The TCJA allows a real property trade or business to elect out of this interest limit so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 40-year recovery period for related improvements described below. For this purpose, a real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operating, management, leasing, or brokerage trade or business. We believe this definition encompasses our business and thus will allow us the option of electing out of the limits on interest deductibility should we determine it is prudent to do so. Nonetheless, if a domestic TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate-level tax liability. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships). The interest deduction limit applied beginning in 2018.
- For taxpayers that do not use the TCJA's real property trade or business exception to the business interest deduction limits, the TCJA maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Also, the TCJA temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year. The changes apply, generally, to property acquired after September 27, 2017 and placed in service after September 27, 2017.
- The TCJA continues the deferral of gain from the like kind exchange of real property, but provides that foreign real property is no longer "like-kind" to domestic real property. Furthermore, the TCJA eliminated like-kind exchanges for most personal property. These changes were effective generally for exchanges completed after December 31, 2017.
- The TCJA moved the United States from a worldwide to a modified territorial tax system, with provisions included to prevent corporate base erosion. These provisions could affect the taxation of foreign subsidiaries and/or properties.
- The TCJA made other significant changes to the Internal Revenue Code. These changes include provisions limiting the ability to offset dividend and interest income with partnership or S corporation net active business losses. These provisions were effective beginning in 2018, but without further legislation, will sunset after 2025.

U.S. Healthcare Regulation

Overview

Assisted living, independent living, memory care, hospitals, SNFs and other healthcare providers that operate healthcare properties in our portfolio are subject to extensive federal, state and local laws, regulations and industry standards governing their operations. Failure to comply with any of these, and other, laws could result in loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs, or closure of the facility. Although the properties within our portfolio may be subject to varying levels of governmental scrutiny, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud and abuse and privacy and security, among others. We also expect that efforts by third-party payors, such as the federal Medicare program, state Medicaid programs and private insurers, to impose greater and more stringent cost controls upon operators will intensify and continue. Changes in laws, regulations, reimbursement, and enforcement activity can all have a significant effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us, as set forth below and under "Risk Factors" in our 2019 Form 10-K.

Fraud and Abuse Enforcement

Healthcare providers are subject to federal and state laws and regulations that govern their operations and, in some cases, arrangements with referral sources. These laws include those that require providers to furnish only medically necessary services and submit to third-party payors valid and accurate statements for each service, as well as kickback laws, self-referral laws and false claims acts. In particular, enforcement of the federal False Claims Act has resulted in increased enforcement activity for healthcare providers and can involve significant monetary damages and awards to private plaintiffs who successfully bring "whistleblower" lawsuits. Sanctions for violations of these laws, regulations and other applicable guidance may include, but are not limited to, loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs or closure of the facility, any of which

could have a material adverse effect on the operations and financial condition of our tenants, operators and managers, which, in turn may adversely impact us.

Healthcare Reform

The Patient Protection and Affordable Care Act of 2010, or ACA, impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to legislative, administrative, and judicial challenge and scrutiny, and could be amended, modified or invalidated in whole or in part at any time.

In 2017, Congress enacted legislation eliminating the tax penalty for individuals who do not purchase insurance after it unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Additionally, the US Department of Health and Human Services and its agency that oversees much of the ACA, the Centers for Medicare and Medicaid Services, or CMS, have substantially revised a number of ACA-related regulations, which have had altered financial support for health plans, enrollment operations and individuals seeking to purchase insurance. CMS also has allowed new insurance options offering less coverage to compete in the market. These changes and other market dynamics are associated with declining enrollment and increased numbers of uninsured and under-insured individuals in recent years. Further, CMS has approved waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, like work requirements, in order to maintain eligibility for Medicaid (although some of these waivers have subsequently been challenged in court). These and other actions may impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us. If the ACA is repealed or further substantially modified, or if implementation of certain aspects of the ACA are suspended, slowed, or subject to reduced funding, such actions could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

On December 14, 2018, a U.S. District Court in Texas ruled the ACA unconstitutional in its entirety. In December 2019, a Court of Appeals concurred, but also returned the case to the District Court for further proceedings. Appeals also are pending before the U.S. Supreme Court. No changes are expected while the appeals are pending. Nonetheless, should this ruling be upheld in whole or part upon appeal, it could dramatically change U.S. healthcare regulation in numerous ways and may potentially spur congressional action, making the ultimate consequences of the ruling difficult to predict. Should the ruling be upheld and implemented, the immediate effects would include reduced access to health coverage through: (1) reduced Medicaid eligibility, (2) the disestablishment of health insurance exchanges and accompanying subsidized premiums, and (3) no requirement for businesses to provide health insurance. Amendments, including certain waivers, to healthcare fraud and abuse laws made by the ACA would also be void, which could change the enforcement posture of federal regulators. Current healthcare reimbursement standards, including those discussed below, are predicated on changes made by the ACA and implementation of this ruling would create significant uncertainty regarding the legality of such standards and what standards are in effect absent the ACA. The effects of this ruling could adversely affect the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

In November 2020, the United States will hold federal elections for president and congress. The outcome of those elections may create more uncertainty in 2021 and beyond. Many candidates for the Democratic nomination for president are proposing to further reform healthcare markets. Any changes could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

Reimbursement Generally

Federal, state and private payor reimbursement methodologies applied to healthcare providers continue to evolve. Federal and state healthcare financing authorities are continuing to implement new or modified reimbursement methodologies that shift risk to healthcare providers and generally reduce payments for services, which may negatively impact healthcare property operations. Additionally, Congress and the current presidential administration could substantially change the health insurance industry and payment systems. The impact of any such changes, if implemented, may result in an adverse effect on our tenants, managers and operators, which in turn may adversely impact us.

SNFs and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers and self-pay patients. Senior housing facilities (ALFs, ILFs) and MCFs typically receive most of their revenues from private pay sources and a small portion of their revenue from the Medicaid program. Providers that contract with government and private payors may be subject to periodic pre- and post-payment reviews and other audits. Payors are increasing their scrutiny of payments for items and services, and are increasingly decreasing or denying payments to providers. A review or audit of a property operator's claims could result in recoupments, denials or delay

of payments in the future, each of which could have a significant negative financial impact on such property. Additionally, there can be no guarantee that a third-party payor will continue to reimburse for services at current levels or continue to be available to residents of our facilities. Rates generated at facilities will vary by payor mix, market conditions and resident acuity. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs.

Medicare Reimbursement

Medicare is a significant payor source for our SNFs and hospitals. SNFs are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System, while hospitals are reimbursed by Medicare under prospective payment systems that vary based upon the type of hospital, geographic location and service furnished. Under these payment systems, providers typically receive fixed fees for defined services, which creates a risk that payments will not cover the costs of delivering care. In addition, CMS continues to focus on linking payment to performance relative to quality and other metrics and bundling payments for multiple items and services in a way that shifts more financial risk to providers. These changes, and a facility's ability to conform to them, could reduce payments and patient volumes for some facilities, including our tenants and operators, which may in turn impact us. Furthermore, while CMS has previously tested some of these new payment principles through optional "models," CMS could adopt rules making certain detrimental payment policies mandatory. The current presidential administration could propose additional changes to the amount and manner in which healthcare providers are paid, and these changes also could have a material adverse effect on payments and patient volumes for some facilities. Lastly, Congress is contemplating substantial reforms to the Medicare program as a whole that, if enacted, could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

Skilled Nursing Conditions for Participation - On October 4, 2016, CMS published a final rule to make major changes to improve the care and safety of residents in long-term care facilities that participate in the Medicare and Medicaid programs. The policies in this final rule were targeted at reducing unnecessary hospital readmissions and infections, improving the quality of care, and strengthening safety measures for residents in these facilities. The regulations were effective on November 28, 2016, but CMS has been implementing the regulations using a phased approach, with Phase 1 of the regulations implemented on November 28, 2016 and Phase 2 of the regulations implemented on November 28, 2017. Phase 3 of the regulations were to be implemented on November 28, 2019, but CMS proposed substantial changes in July 2019. Those changes have not been finalized yet. In the meantime, Phase 3 has not been implemented. Failure of our tenants and operators to comply with the new regulations could have an adverse impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

Skilled Nursing - In August 2018, CMS adopted a revised methodology used to compensate SNFs for therapy services, which changes the core basis of reimbursement from duration of services provided to reimbursement based on anticipated patient needs; these changes took effect on October 1, 2019. A SNF tenant or SNF operator's ability to conform to these changes could positively or negatively impact the facility's revenue, which in turn, may impact us.

Medicaid Reimbursement

Medicaid is also a significant payor source for our SNFs and hospitals. The federal and state governments share responsibility for financing Medicaid. Within certain federal guidelines, states have a fairly wide range of discretion to determine Medicaid eligibility and reimbursement methodology. CMS has embraced a more flexible approach to state amendments and waivers that allow states even more latitude to determine eligibility and reimbursement. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits; some states have elected not to expand their Medicaid eligibility criteria pursuant to the ACA. Some states are transitioning their Medicaid programs to managed care models, which rely on networks of contracted providers to provide services at reduced negotiated rates to a higher volume of patients than they might see absent the contract. Such changes may reduce the volume of Medicaid patients at facilities that do not participate in the managed care plan's network. Facilities that do participate may not receive a sufficient increase in patient volume to offset their lowered reimbursement rates. States and the federal government are also examining ways to further align Medicare reimbursement with quality metrics and other value-based payment models that might shift risk to or place additional compliance costs on facilities. Congress and the current presidential administration have sought to repeal and alter the ACA and substantially reform the Medicaid program. If successful, Congress may repeal the provisions of the ACA that encouraged states to expand Medicaid eligibility to more adults, including additional federal matching funds that enabled states to do so. Congress also might impose strict limits on the federal role in subsidizing the costs of state Medicaid programs. These actions, if enacted, could result in states reducing or eliminating eligibility for certain individuals and/or offsetting the cost by further reducing payments to providers of services. Congress is also considering enacting substantial reforms to Medicaid to grant states more autonomy and discretion to design Medicaid programs. These changes, if enacted, could also reduce or eliminate eligibility for certain individuals and/or allow states to further reduce payments to providers of services. In some states, our tenants and operators could experience delayed or reduced payment for services furnished to Medicaid enrollees, which in turn may adversely impact us. Additionally, in November 2019, CMS proposed new rules that would make changes to how states can structure provider taxes and supplemental payments, among other items, in their Medicaid programs. If finalized, these changes may lead states to profoundly alter how they support long-term care providers, among others, and those changes could affect the financial viability of our tenants and

operators. Further, as noted above, ongoing litigation regarding the ACA and Medicaid waivers may also affect Medicaid coverage and reimbursement.

Licensure, CON, Certification and Accreditation

Hospitals, SNFs, senior housing facilities and other healthcare providers that operate healthcare properties in our portfolio may be subject to extensive state licensing and certificate of need, or CON, laws and regulations, which may restrict the ability of our tenants and operators to add new properties, expand an existing facility's size or services, or transfer responsibility for operating a particular facility to a new tenant, operator or manager. The failure of our tenants and operators to obtain, maintain or comply with any required license, CON or other certification, accreditation or regulatory approval (which could be required as a condition of third-party payor reimbursement) could result in loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs or closure of the facility, any of which could have an adverse effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us.

Health Information Privacy and Security

Healthcare providers, including those in our portfolio, are subject to numerous state and federal laws that protect the privacy and security of patient health information. The federal government, in particular, has significantly increased its enforcement of these laws. The failure of our tenants, operators and managers to maintain compliance with privacy and security laws could result in the imposition of penalties and fines, which in turn may adversely impact us.

Investment Company Act

We believe that we are not, and intend to conduct our operations so as not to become, regulated as an investment company under the Investment Company Act. We have relied, and intend to continue to rely, on current interpretations of the staff of the U.S. Securities and Exchange Commission, or SEC, in an effort to continue to qualify for an exemption from registration under the Investment Company Act. For more information on the exemptions that we use refer to "Risk Factors—Risks Related to Regulatory Matters and Our REIT Tax Status—*Maintenance of our Investment Company Act exemption imposes limits on our operations*."

For additional information regarding regulations applicable to us, refer to below and "Risk Factors" in our 2019 Form 10-K.

Competition

Our healthcare investments will experience local and regional market competition for residents, operators and staff. Competition will be based on quality of care, reputation, physical appearance of properties, services offered, family preference, physicians, staff and price. Competition will come from independent operators as well as companies managing multiple properties, some of which may be larger and have greater resources than our operators. Some of these properties are operated for profit while others are owned by governmental agencies or tax-exempt, non-profit organizations. Competitive disadvantages at our healthcare investments may result in vacancies at facilities, reductions in net operating income and ultimately a reduction in shareholder value.

Seasonality

Our revenues, and our operators' revenues, are dependent on occupancy. It is difficult to predict seasonal trends and the related potential impact of the cold and flu season, occurrence of epidemics or any other widespread illnesses on the occupancy of our facilities. A decrease in occupancy could affect the operating income of our operating properties as well as the ability of our net lease operators to make payments to us.

Employees

As of December 31, 2019, we had no employees. Our Advisor or its affiliates provide management, acquisition, advisory, marketing, investor relations and certain administrative services for us.

Corporate Governance and Internet Address

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors. The audit committee of our board of directors is composed exclusively of independent directors. We have adopted corporate governance guidelines and a code of ethics, which delineate our standards for our officers and directors.

Our internet address is *www.northstarhealthcarereit.com*. The information on our website is not incorporated by reference in this Annual Report. We make available, free of charge through a link on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, if any, as filed or furnished with the SEC,

as soon as reasonably practicable after such filing or furnishing. Our site also contains our code of ethics, corporate governance guidelines and our audit committee charter. Within the time period required by the rules of the SEC, we will post on our website any amendment to our code of ethics or any waiver applicable to any of our directors, executive officers or senior financial officers.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

We completed our Initial Offering on February 2, 2015 and our Follow-On Offering on January 19, 2016. All of the shares initially registered in the Initial Offering and the Follow-On Offering were issued. There is no established public trading market for our shares of common stock. We do not expect that our shares will be listed for trading on a national securities exchange in the near future, if ever. Our board of directors will determine when, and if, to apply to have our shares of common stock listed for trading on a national securities exchange, subject to satisfying existing listing requirements. Our board of directors does not have a stated term for evaluating a listing on a national securities exchange 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 stockholders.

In order for members of FINRA and their associated persons to have participated in the offering and sale of our shares of common stock or to participate in any future offering of our shares of common stock, we are required, pursuant to FINRA Rule 2310, to disclose in each Annual Report distributed to our stockholders a per share estimated value of our shares of common stock, the method by which it was developed and the date of the data used to develop the estimated value. In addition, our Advisor must prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares of common stock.

On December 3, 2019, upon the recommendation of the audit committee of our board of directors, our board of directors, including all of our independent directors, approved and established an estimated value per share of our common stock of $6.25 as of June 30, 2019, or the Valuation Date. The estimated value per share is based upon the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares of our common stock outstanding, in each case as of the Valuation Date. The information used to generate the estimated value per share, including market information, investment- and property-level data and other information provided by third parties, was the most recent information practically available as of the Valuation Date.

As of the Valuation Date, (i) the estimated value of our healthcare real estate properties was $1.99 billion, compared with an aggregate cost, including purchase price, deferred costs and other assets, of $2.16 billion, (ii) the estimated value of our healthcare real estate investments held through unconsolidated joint ventures was $488.7 million, compared with an aggregate equity contribution, including subsequent capital contributions, of $511.1 million, (iii) the estimated value of our healthcare-related commercial real estate debt investment was $75.0 million, equal to the aggregate outstanding principal amount of $75.0 million, and (iv) the estimated value of our healthcare real estate liabilities was $1.40 billion, compared with an aggregate outstanding principal amount of $1.47 billion.

For additional information on the methodology used in calculating our estimated value per share as of June 30, 2019, refer to our Current Report on Form 8-K filed with the SEC on December 9, 2019.

It is currently anticipated that our next estimated value per share will be based upon our assets and liabilities as of June 30, 2020 and such value will be included in a Current Report on Form 8-K or such other filing with the SEC. We intend to continue to publish an updated estimated value per share annually.

Stockholders

As of March 19, 2020, we had 36,576 stockholders of record.

Distributions

The following table summarizes distributions declared for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Distributions[1]		
Period	**Cash**	**DRP**	**Total**
2019			
First Quarter	$ 2,991	$ 2,422	$ 5,413
Second Quarter	—	—	—
Third Quarter	—	—	—
Fourth Quarter	—	—	—
Total	$ 2,991	$ 2,422	$ 5,413
2018			
First Quarter	$ 7,684	$ 7,876	$ 15,560
Second Quarter	8,028	7,722	15,750
Third Quarter	8,374	7,567	15,941
Fourth Quarter	8,653	7,352	16,005
Total	$ 32,739	$ 30,517	$ 63,256
2017			
First Quarter	$ 14,228	$ 16,669	$ 30,897
Second Quarter	14,557	16,804	31,361
Third Quarter	14,899	16,873	31,772
Fourth Quarter	15,082	16,691	31,773
Total	$ 58,766	$ 67,037	$ 125,803

(1) Represents distributions declared for such period, even though such distributions are actually paid to stockholders the month following such period.

Distribution Reinvestment Plan

We adopted our DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of our common stock in lieu of receiving cash distributions. The purchase price per share under our Initial DRP was $9.50. In connection with its determination of the offering price for shares of our common stock in our Follow-On Offering, the board of directors determined that distributions may be reinvested in shares of our common stock at a price of $9.69 per share, which was approximately 95% of the offering price of $10.20 per share established for purposes of our Follow-On Offering. In April 2016 and effective through January 31, 2019, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price equal to the most recent estimated value per share of the shares of common stock. The following table presents the price at which dividends were invested based on when the price became effective:

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

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

We registered an additional 30.0 million shares to be offered pursuant to our DRP beyond the completion of our Offering, although we suspended payment of monthly distributions to stockholders on February 1, 2019.

For the period from April 5, 2013 through December 31, 2019, we issued 25.7 million shares totaling $232.6 million of gross offering proceeds pursuant to our DRP.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We adopted our Share Repurchase Program effective August 7, 2012, as most recently amended in October 2018, which enables stockholders to sell their shares to us in limited circumstances. Under our current Share Repurchase Program, we only repurchase shares in connection with a stockholder's death or qualifying disability. A qualifying disability is a disability as such term is defined in Section 72(m)(7) of the Internal Revenue Code that arises after the purchase of the shares requested to be repurchased.

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

For the year ended December 31, 2019, we repurchased shares of our common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
January 1 to January 31		—	—	
February 1 to February 28	278,579	$ 7.10	278,579	(1)
March 1 to March 31		—	—	
April 1 to April 30		—	—	
May 1 to May 31	451,229	7.10	451,229	(1)
June 1 to June 30		—	—	
July 1 to July 31				
August 1 to August 31	314,637	7.10	314,637	(1)
September 1 to September 30				
October 1 to October 31				
November 1 to November 30	469,086	7.10	3,331	(1)
December 1 to December 31				
Total	1,513,531	$ 7.10	1,047,776	

(1) In October 2018, our board of directors approved an amended and restated Share Repurchase Program, under which we will only repurchase shares in connection with the death or qualifying disability of a stockholder at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transactions, or the most recently published estimated value per share.

Prior to the most recent amendments to our Share Repurchase Program, we had a total of 12.0 million shares, or $74.8 million, based on our most recently published estimated value per share of $6.25, in unfulfilled repurchase requests. For additional information, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments."

Unregistered Sales of Equity Securities

On October 31, 2019 and November 29, 2019, we issued 117,371 shares of common stock at $7.10 per share, respectively, to our Advisor as part of its asset management fee, pursuant to our advisory agreement. On December 31, 2019, we issued 117,371 shares of common stock at $6.25 per share to our Advisor as part of its asset management fee, pursuant to our advisory agreement. These shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

On December 2, 2019, following the resignation of one of our independent directors, our board of directors appointed a new independent director to serve as a member of our board of directors and our audit committee. In accordance with our independent directors' compensation plan, we granted 9,155 shares of restricted common stock at $7.10 per share to our newly appointed independent director. These shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

SELECTED FINANCIAL DATA

The information below should be read in conjunction with "Forward-Looking Statements" in this Annual Report and "Risk Factors," in our 2019 Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto included in "Financial Statements and Supplementary Data," included in this Annual Report.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands, except per share data)				
Operating Data:					
Resident fee income	$ 130,135	$ 129,855	$ 127,180	$ 102,915	$ 63,056
Rental income	161,084	159,481	155,700	132,108	28,456
Net interest income	7,703	9,031	14,141	18,970	17,763
Total expenses	381,325	441,934	404,149	334,887	149,791
Equity in earnings (losses) of unconsolidated ventures	(3,545)	(33,517)	(35,314)	(62,175)	(49,046)
Net income (loss)	(77,750)	(152,020)	(137,971)	(141,282)	(82,744)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(76,960)	(151,578)	(137,771)	(141,275)	(82,370)
Net income (loss) per share of common stock, basic/diluted	$ (0.41)	$ (0.81)	$ (0.74)	$ (0.77)	$ (0.63)
Distributions declared per share of common stock	$ 0.03	$ 0.34	$ 0.68	$ 0.68	$ 0.68

	As of December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 41,884	$ 73,811	$ 50,046	$ 223,102	$ 354,229
Operating real estate, net	1,700,218	1,778,914	1,852,428	1,571,980	832,253
Investments in unconsolidated ventures	268,894	264,319	325,582	360,534	534,541
Real estate debt investments, net	55,468	58,600	74,650	74,558	192,934
Senior housing mortgage loans held in a securitization trust, at fair value	—	—	545,048	553,707	—
Total assets	2,141,207	2,264,416	2,998,753	2,958,209	2,002,228
Mortgage and other notes payable, net	1,431,922	1,466,349	1,487,480	1,200,982	570,985
Senior housing mortgage obligations issued by a securitization trust, at fair value	—	—	512,772	522,933	—
Due to related party	5,780	5,675	1,046	219	443
Total liabilities	1,473,703	1,520,042	2,053,954	1,766,235	596,728
Total equity	667,504	744,374	944,799	1,191,974	1,405,500

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Other Data:					
Cash flow provided by (used in):					
Operating activities	$ 25,298	$ 27,986	$ 10,129	$ 5,376	$ (7,594)
Investing activities	(4,287)	73,948	(314,394)	(60,355)	(1,063,403)
Financing activities	(56,699)	(87,914)	132,861	(62,970)	1,164,623

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 "Financial Statements and Supplementary Data" and the risk factors in "Risk Factors" of our 2019 Form 10-K. References to "we," "us" or "our" refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

Introduction

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

Our primary investment segments are as follows:

- Direct Investments - Net Lease - Healthcare properties operated under net leases with a single tenant operator.
- Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare operators.
- Unconsolidated Investments - Healthcare joint ventures, including properties operated under net leases or pursuant to management agreements with healthcare operators, in which we own a minority interest.
- Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities, or CMBS, backed primarily by loans secured by healthcare properties.

For information regarding our investments as of December 31, 2019, refer to "Our Investments" included in "Business" in this Annual Report.

2019 Significant Developments

Performance Summary

During the year ended December 31, 2019, performance of our direct operating investments improved over prior year results. On a same store basis (which excludes properties placed in service and/or sold during 2018 or 2019), rental and resident fee income, net of property operating expenses, of our direct operating investments increased to $76.8 million for the year ended December 31, 2019 as compared to $67.3 million for the year ended December 31, 2018.

While the weighted average resident occupancy of our operating properties remained consistent with the prior year at 81.6%, our direct operating investments benefited from the following during the year ended December 31, 2019:

- higher operating revenues as a result of billing rate increases;
- lower expenses, primarily staffing and salary related, in our ILF portfolios; and
- non-recurring resident fee income and one-time expense savings recognized in select portfolios also contributed to improved financial performance.

The performance of our unconsolidated investment portfolios also improved for the year ended December 31, 2019 as compared to prior year results:

- the Espresso joint venture completed several operator transitions for its net lease SNF portfolios, which resulted in higher rental income collected;
- the Trilogy joint venture continued its expansion and development of operating real estate while same store improvements drove higher operating results; and
- the Envoy joint venture sold its remaining investments, which resulted in the recognition of residual earnings upon the completion of the sale.

Distributions from our unconsolidated ventures continue to be limited by reinvestment and development in the Trilogy and Griffin joint ventures and working capital needs for the Espresso joint venture, which have negatively impacted our liquidity position.

For additional information on financial results, refer to "—Results of Operations."

Investments and Dispositions

- In March 2019, the Envoy joint venture, of which we own 11.4%, completed the sale of the remaining 11 properties in the portfolio, for a sales price of $118.0 million, generating net proceeds to us of $4.3 million.
- In March 2019, we contributed $2.4 million to the Trilogy joint venture for development initiatives, including senior housing campus development.
- In May 2019, we sold two properties within the Peregrine portfolio for $19.7 million, generating net proceeds of $3.3 million, after the repayment of the outstanding mortgage principal balance of $16.4 million and transaction costs.
- In June 2019, we contributed $37.4 million to the Griffin-American joint venture to refinance outstanding mortgage debt.
- In September 2019, the Eclipse joint venture, of which we own 5.6%, sold nine properties within the portfolio, generating net proceeds to us of $2.1 million.
- In November 2019, we received a partial repayment of principal on the Espresso mezzanine loan totaling $0.8 million, in connection with the borrower's sale of a net lease facility.
- In December 2019, the Griffin-American joint venture, of which we own 14.3%, sold three properties within its portfolio. Our proportionate share of the net proceeds generated from the sale totaled $16.9 million.

Liquidity, Capital and Dividends

- Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity.
- In April 2019, we terminated our revolving credit facility, or our Corporate Facility, which we had not previously drawn upon.
- In May 2019, we extended the maturity date of our revolving line of credit from an affiliate of Colony Capital, or the Sponsor Line, through December 2021.
- In July 2019, we refinanced an existing $12.4 million seller note payable, collateralized by a property within the Rochester portfolio, with a $12.8 million mortgage note payable. The new mortgage note carries an interest rate of 2.90% plus LIBOR, with an initial maturity date of August 2021.
- In December 2019, our board of directors approved and established an estimated value per share of our common stock of $6.25 as of June 30, 2019.

Portfolio

- For the year ended December 31, 2019, our Winterfell portfolio's average occupancy was 79.8%, consistent with the year ended December 31, 2018.
- The operating portfolios managed by Watermark Retirement Communities maintained an overall average occupancy of 83.5% for the year ended December 31, 2019, which was overall consistent with the year ended December 31, 2018.
- During 2019, impairment losses totaling $27.6 million were recorded due to performance issues at properties within the Rochester, Kansas City and Peregrine portfolios, as well as to reflect an updated net realizable value for a property designated as held for sale.

Sources of Operating Revenues and Cash Flows

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

Profitability and Performance Metrics

We calculate Funds from Operations, or FFO, and Modified Funds from Operations, or MFFO (see "Non-GAAP Financial Measures —Funds from Operations and Modified Funds from Operations" for a description of these metrics) to evaluate the profitability and performance of our business.

Outlook and Recent Trends

Investing in and lending to the healthcare real estate sector requires an in-depth understanding of the specialized nature of healthcare facility operations and the healthcare regulatory environment. While these competitive constraints may create opportunities for attractive investments in the healthcare property sector, they may also provide challenges and risks when seeking attractive terms for our investments.

We believe owners and operators of senior housing facilities and other healthcare properties may benefit from demographic and economic trends, specifically the aging of the United States population whereby Americans aged 65 years old and older are expected to increase from 49.2 million in 2016 to 78.0 million in 2035 (source: U.S. Census Bureau 2017 National Population Projections), and the increasing demand for care for seniors outside of their homes. As a result of these demographic trends, we expect healthcare costs to increase at a faster rate than the available funding from both private sources and government-sponsored healthcare programs. Healthcare spending in the U.S. is projected to grow at an average rate of 5.5% over the next 10 years and increase from $3.6 trillion in 2018 to $6.0 trillion in 2027 (source: Centers for Medicare and Medicaid Services, or CMS). As healthcare costs increase, insurers, individuals and the U.S. government are pursuing lower cost options for healthcare. Senior housing facilities, such as ALFs, MCFs, SNFs and ILFs, are generally more cost effective than higher acuity healthcare settings, such as short or long-term acute-care hospitals, in-patient rehabilitation facilities and other post-acute care settings. The growth in total demand for healthcare, cost constraints, new regulations, broad U.S. demographic changes and the shift towards cost effective community-based settings is resulting in dynamic changes to the healthcare delivery system.

Notwithstanding the growth in the industry and demographics, economic and healthcare market uncertainty has had a negative impact, weakening the market's fundamentals and ultimately reducing tenants/operators' ability to make rent payments in accordance with the contractual terms of the respective leases, as well as reduced income for our operating investments. In addition, increased development and competitive pressures has had an impact on some of our assets. During the fourth quarter of 2019, the industry seniors housing occupancy averaged 88.0%, which was flat as compared to the third quarter of 2019 (source: The National Investment Centers for Senior Housing & Care, or NIC). Overall, occupancy has declined or remained flat in 14 of the last 16 quarters (source: NIC). Seniors housing under construction as a share of inventory remains high, however has now declined to 6.7% in the fourth quarter of 2019, compared to a peak of 7.7% in the fourth quarter of 2017 (source: NIC). Further, a tight labor market and competition to attract quality staff continues to drive increased wages and personnel costs, resulting in lower margins. To the extent that occupancy and market rental rates decline, property-level cash flow could be negatively affected and decreased cash flow, in turn, is expected to impact the value of underlying properties.

Further third-party payor rules and regulatory changes that are being implemented by the federal and even some state governments and commercial payors to improve quality of care and control healthcare spending may continue to affect reimbursement and increase operating costs to our operators and tenants. We continue to monitor reimbursement program requirements and assess the potential impact that changes in the political environment may have on such programs and the ability of our tenants/operators to meet their payment obligations.

Our SNF operators receive a majority of their revenues from governmental payors, primarily Medicare and Medicaid. Changes in reimbursement rates and limits on the scope of services reimbursed to SNFs could have a material impact on a SNF operator's liquidity and financial condition. SNF operators are currently facing various operational, reimbursement, legal and regulatory challenges due to, among other things, increased wages and labor costs, narrowing of referral networks, shorter lengths of stay, staffing shortages, expenses associated with increased government investigations, enforcement proceedings and legal actions related to professional and general liability claims. With a dependence on government reimbursement as the primary source of their revenues, SNF operators are also subject to intensified efforts to impose pricing pressures and more stringent cost controls, through value-based payments, managed care and similar programs, which could result in lower daily reimbursement rates, lower lease coverage, decreased occupancies and declining operating margins.

Despite the barriers and constraints to investing in the senior housing sector, demographic and other market dynamics continue to attract investors and capital to the sector. The supply and demand fundamentals that are driven by the increasing need for healthcare services by an aging population have created investment opportunities for investors and thus acquisition activity within the sector continues to be strong.

Critical Accounting Policies

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. For critical accounting policies, refer to Note 2, "Summary of Significant Accounting Policies" in our accompanying consolidated financial statements included in "Financial Statements and Supplementary Data."

Recent Accounting Pronouncements

For recent accounting pronouncements, refer to Note 2, "Summary of Significant Accounting Policies" in our accompanying consolidated financial statements included in "Financial Statements and Supplementary Data."

Impairment

Our investments are reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of our investments may be impaired or that carrying value may not be recoverable. In conducting these reviews, we consider macroeconomic factors, including healthcare sector conditions, together with asset and market specific circumstance, among other factors. To the extent an impairment has occurred, the loss will be measured as compared to the carrying amount of the investment. An allowance for a doubtful account for a tenant/operator/resident receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator/resident to make required rent and other payments contractually due. Additionally, we establish, on a current basis, an allowance for future operator/tenant credit losses on unbilled rents receivable based upon an evaluation of the collectability of such amounts.

During the year ended December 31, 2019, we recorded impairment losses totaling $27.6 million for our direct investments and held for sale investments. The impairment recognized in 2019 includes:

- Rochester portfolio. Impairment losses totaling $19.5 million for two ALFs with continuing poor performance and sustained declines in occupancy as a result of difficult market conditions.
- Kansas City portfolio. Impairment losses totaling $3.9 million for two facilities which have generated operating losses due to the operator's inability to sustain adequate occupancy to achieve profitable operating margins.
- Peregrine portfolio. Impairment losses totaling $4.1 million for two net lease facilities, for which the tenant has sustained operating losses and has failed to remit rental payments during the year. One of the facilities was designated as held for sale during the year ended December 31, 2018 and has been impaired to its estimated fair value.

During the year ended December 31, 2018, we recorded impairment losses totaling $31.0 million for operating real estate that we continue to hold as of December 31, 2019. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as amended by Amendment No. 1 on Form 10-K/A, for additional information regarding impairment recorded in prior years.

During the year ended December 31, 2019, our unconsolidated ventures have recorded impairments and reserves, which have been recognized through our equity in earnings (losses). The impairment and reserves recorded in 2019 include:

- Griffin-American Joint Venture. Impairment losses for operating real estate and held for sale assets, of which our proportionate share totaled $1.9 million.
- Eclipse Joint Venture. Impairment losses for a net lease SNF, of which our proportionate share totaled $0.2 million.
- Espresso Joint Venture. Impairment losses for a net lease SNF, of which our proportionate share totaled $0.5 million.

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

Results of Operations

Comparison of the Year Ended December 31, 2019 to December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Property and other revenues				
Resident fee income	$ 130,135	$ 129,855	$ 280	0.2 %
Rental income	161,084	159,481	1,603	1.0 %
Other revenue	1,959	4,935	(2,976)	(60.3)%
Total property and other revenues	293,178	294,271	(1,093)	(0.4)%
Net interest income				
Interest income on debt investments	7,703	7,706	(3)	— %
Interest income on mortgage loans held in a securitized trust	—	5,149	(5,149)	(100.0)%
Interest expense on mortgage obligations issued by a securitization trust	—	(3,824)	3,824	(100.0)%
Net interest income	7,703	9,031	(1,328)	(14.7)%
Expenses				
Real estate properties - operating expenses	181,214	188,761	(7,547)	(4.0)%
Interest expense	68,896	70,196	(1,300)	(1.9)%
Other expenses related to securitization trust	—	811	(811)	(100.0)%
Transaction costs	122	888	(766)	(86.3)%
Asset management and other fees-related party	19,789	23,478	(3,689)	(15.7)%
General and administrative expenses	12,761	14,390	(1,629)	(11.3)%
Depreciation and amortization	70,989	107,133	(36,144)	(33.7)%
Impairment loss	27,554	36,277	(8,723)	(24.0)%
Total expenses	381,325	441,934	(60,609)	(13.7)%
Other income (loss)				
Realized gain (loss) on investments and other	6,314	20,243	(13,929)	(68.8)%
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(74,130)	(118,389)	44,259	(37.4)%
Equity in earnings (losses) of unconsolidated ventures	(3,545)	(33,517)	29,972	(89.4)%
Income tax benefit (expense)	(75)	(114)	39	(34.2)%
Net income (loss)	$ (77,750)	$ (152,020)	$ 74,270	(48.9)%

Revenues

Resident Fee Income

The following table presents resident fee income generated during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store AL/MC/CCRC properties (placed in service - 2017 and prior)	$ 128,720	$ 124,250	$ 4,470	3.6 %
Properties placed in service - 2018	1,415	81	1,334	1,646.9 %
Properties sold	—	5,524	(5,524)	(100.0)%
Total resident fee income	$ 130,135	$ 129,855	$ 280	0.2 %

On a same store basis, resident fee income increased $4.5 million primarily as a result of non-recurring income recognized in the Fountains portfolio, billing rate increases for the Watermark Aqua and Fountains portfolios and a one-time adjustment which reduced revenue for the Rochester portfolio in 2018. The resident fee income generated by Pinebrook memory care expansion, which opened in November 2018, was offset by decreases in revenue as a result of the sale of an operating facility in the Fountains portfolio in the fourth quarter of 2018.

Rental Income

The following table presents rental income generated during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store IL properties (placed in service - 2017 and prior)	$ 127,660	$ 125,207	$ 2,453	2.0 %
Same store net lease properties (placed in service - 2017 and prior)	32,826	32,808	18	0.1 %
Properties sold	598	1,466	(868)	(59.2)%
Total rental income	$ 161,084	$ 159,481	$ 1,603	1.0 %

Rental income increased $1.6 million primarily due to non-recurring services and fees at our IL properties, which were recorded as rental income during the year ended December 31, 2019 as a result of the adoption of the new lease accounting standard and were previously recorded as other revenue. Further, rental income recorded in 2018 was reduced by one-time write-downs, as a result of a net lease tenant not remitting rental payments, which also contributed to the variance. Increases to rental income were offset by the sale of two net lease properties sold within the Peregrine portfolio.

Other Revenue

As a result of the adoption of the new lease accounting standard, non-recurring services and fees at our operating facilities were reclassified into rental and resident fee income, which resulted in a decrease to other revenue for the year ended December 31, 2019 as compared to year ended December 31, 2018. The decrease was offset by non-recurring service provider incentives recognized by the Winterfell portfolio, as well as interest earned on uninvested cash.

Net Interest Income

Net interest income decreased $1.3 million primarily as a result of the sale of our investment in the Freddie Mac securitization in the first quarter of 2018.

Expenses

Real Estate Properties - Operating Expenses

The following table presents property operating expenses incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 93,048	$ 92,382	$ 666	0.7 %
IL properties	86,526	89,750	(3,224)	(3.6)%
Net lease properties	10	1,342	(1,332)	(99.3)%
Properties placed in service - 2018	1,630	261	1,369	524.5 %
Properties sold	—	5,026	(5,026)	(100.0)%
Total property operating expenses	$ 181,214	$ 188,761	$ (7,547)	(4.0)%

Property operating expenses decreased $7.5 million, primarily due to the sale of an operating facility in the Fountains portfolio in the fourth quarter of 2018, as well as expense savings realized in the Winterfell portfolio. One-time bad debt expense for straight-line rent recorded during the year ended December 31, 2018, as a result of a net lease portfolio tenant not remitting rental payments, also contributed to the variance.

Interest Expense

The following table presents interest expense incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 20,620	$ 20,571	$ 49	0.2 %
IL properties	35,740	35,781	(41)	(0.1)%
Net lease properties	12,187	12,719	(532)	(4.2)%
Properties sold	247	850	(603)	(70.9)%
Corporate	102	275	(173)	(62.9)%
Total interest expense	$ 68,896	$ 70,196	$ (1,300)	(1.9)%

Interest expense decreased $1.3 million as a result of lower mortgage notes balances during the year ended December 31, 2019 due to continued principal amortization and loan payoffs.

Other Expenses Related to Securitization Trust

Other expenses related to securitization trust were not incurred during the year ended December 31, 2019 as our investment in the Freddie Mac securitization was sold in the first quarter of 2018. Securitization trust expenses were primarily comprised of fees paid to Freddie Mac, the original issuer, as guarantor of the interest and principal payments related to the investment grade securitization bonds.

Transaction Costs

Transaction costs for the year ended December 31, 2019 are primarily residual costs incurred for the Rochester operator license transfer. Transaction costs for the year ended December 31, 2018 are primarily costs incurred for the Winterfell and Bonaventure operator transition.

Asset Management and Other Fees - Related Party

Our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value. Asset management and other fees - related party decreased $3.7 million as a result of the declining estimated net asset value year over year.

General and Administrative Expenses

General and administrative expenses decreased $1.6 million, primarily as a result of lower corporate overhead costs incurred during the year ended December 31, 2019.

Depreciation and Amortization

The following table presents depreciation and amortization expense incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 19,752	$ 20,554	$ (802)	(3.9)%
IL properties	36,727	72,754	(36,027)	(49.5)%
Net lease properties	14,227	13,283	944	7.1 %
Properties placed in service - 2018	180	27	153	566.7 %
Properties sold	103	515	(412)	(80.0)%
Total depreciation and amortization expense	$ 70,989	$ 107,133	$ (36,144)	(33.7)%

Depreciation and amortization expense decreased $36.1 million, primarily as a result of intangible assets becoming fully amortized in the Winterfell and Rochester portfolios in 2019 and 2018, respectively.

Impairment Loss

During the year ended December 31, 2019, impairment losses totaled $27.6 million. Impairment was recognized for two ALFs with sustained low occupancy within the Rochester portfolio, as well as poor performing properties within the Kansas City and Peregrine portfolios.

During the year ended December 31, 2018, impairment losses totaling $36.3 million were recorded due to performance issues at properties within the Winterfell, Kansas City and Peregrine portfolios, as well as to reflect net realizable value of properties designated as held for sale.

Other Income (Loss)

Realized Gain (Loss) on Investments and Other

During the year ended December 31, 2019, realized gains of $6.3 million related to the sale of the properties within the Peregrine portfolio and Remainder Interests in the Fountains portfolio. During the year ended December 31, 2018, realized gains of $20.2 million was primarily a result of the sales of our investments in the Trilogy portfolio and Freddie Mac securitization.

Equity in Earnings (Losses) of Unconsolidated Ventures and Income Tax Benefit (Expense)

Equity in Earnings (Losses) of Unconsolidated Ventures (dollars in thousands):

	Year Ended December 31,									
	2019	2018	2019	2018	2019	2018			2019	2018
Portfolio	Equity in Earnings (Losses)		Select Revenues and (Expenses), net[1]		Equity in Earnings, less Select Revenues and Expenses		Increase (Decrease)		Cash Distributions	
Eclipse	$ 435	$ (624)	$ (987)	$ (2,280)	$ 1,422	$ 1,656	$ (234)	(14.1)%	$ 2,717	$ 754
Envoy	20	(37)	(892)	(301)	912	264	648	245.5 %	4,339	283
Griffin-American	(4,540)	(12,717)	(16,359)	(24,780)	11,819	12,063	(244)	(2.0)%	23,061	5,553
Espresso	(2,426)	(21,460)	(8,530)	(26,906)	6,104	5,446	658	12.1 %	—	—
Trilogy	3,003	1,153	(13,797)	(14,810)	16,800	15,963	837	5.2 %	5,805	5,977
Subtotal	$ (3,508)	$ (33,685)	$ (40,565)	$ (69,077)	$ 37,057	$ 35,392	$ 1,665	4.7 %	$ 35,922	$ 12,567
Operator Platform[2]	(37)	168	—	—	(37)	168	(205)	(122.0)%	—	107
Total	$ (3,545)	$ (33,517)	$ (40,565)	$ (69,077)	$ 37,020	$ 35,560	$ 1,460	4.1 %	$ 35,922	$ 12,674

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

Our proportionate share of losses generated by our unconsolidated ventures decreased by $30.0 million, primarily due to lower impairment and reserves recognized by the Griffin-American and Espresso joint ventures during the year ended December 31, 2019.

Equity in earnings, net of select revenues and expenses, increased $1.5 million, primarily due to continued expansion and development of operating real estate and same store improvements in the Trilogy joint venture during the year ended December 31, 2019. Further, residual earnings were recognized by the Envoy joint venture upon the completion of the sale of its remaining operating assets during the year ended December 31, 2019.

Income Tax Benefit (Expense)

Income tax expense for the year ended December 31, 2019 was $75,000 and related to our operating properties, which operate through a taxable REIT subsidiary structure. Income tax expense for the year ended December 31, 2018 was $114,000.

Comparison of the Year Ended December 31, 2018 to December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Property and other revenues				
Resident fee income	$ 129,855	$ 127,180	$ 2,675	2.1 %
Rental income	159,481	155,700	3,781	2.4 %
Other revenue	4,935	2,895	2,040	70.5 %
Total property and other revenues	294,271	285,775	8,496	3.0 %
Net interest income				
Interest income on debt investments	7,706	7,696	10	0.1 %
Interest income on mortgage loans held in a securitized trust	5,149	25,955	(20,806)	(80.2)%
Interest expense on mortgage obligations issued by a securitization trust	(3,824)	(19,510)	15,686	(80.4)%
Net interest income	9,031	14,141	(5,110)	(36.1)%
Expenses				
Real estate properties - operating expenses	188,761	163,837	24,924	15.2 %
Interest expense	70,196	61,082	9,114	14.9 %
Other expenses related to securitization trust	811	3,922	(3,111)	(79.3)%
Transaction costs	888	9,407	(8,519)	(90.6)%
Asset management and other fees-related party	23,478	41,954	(18,476)	(44.0)%
General and administrative expenses	14,390	13,488	902	6.7 %
Depreciation and amortization	107,133	105,459	1,674	1.6 %
Impairment loss	36,277	5,000	31,277	625.5 %
Total expenses	441,934	404,149	37,785	9.3 %
Other income (loss)				
Unrealized gain (loss) on mortgage loans held in securitization trust, net	—	1,503	(1,503)	(100.0)%
Realized gain (loss) on investments and other	20,243	116	20,127	17,350.9 %
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(118,389)	(102,614)	(15,775)	15.4 %
Equity in earnings (losses) of unconsolidated ventures	(33,517)	(35,314)	1,797	(5.1)%
Income tax benefit (expense)	(114)	(43)	(71)	165.1 %
Net income (loss)	$ (152,020)	$ (137,971)	$ (14,049)	10.2 %

Revenues

Resident Fee Income

The following table presents resident fee income generated during the year ended December 31, 2018 as compared to the year ended December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Same store AL/MC/CCRC properties (placed in service - 2016 and prior)	$ 102,704	$ 99,590	$ 3,114	3.1 %
Properties placed in service - 2017	21,546 [(1)]	19,706	1,840	9.3 %
Properties placed in service - 2018	81	—	81	NA
Properties sold	5,524	7,884	(2,360)	(29.9)%
Total resident fee income	$ 129,855	$ 127,180	$ 2,675	2.1 %

(1) Includes resident fee income generated from our Kansas City portfolio, which transitioned from a net leased portfolio to an operating portfolio during the year ended December 31, 2017.

Resident fee income increased $2.7 million primarily as a result of occupancy and billing rates improvements for the Watermark Aqua and Fountains portfolios on a same store basis.

Rental Income

The following table presents rental income generated during the year ended December 31, 2018 as compared to the year ended December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Same store IL properties (placed in service - 2016 and prior)	$ 102,925	$ 111,638	$ (8,713)	(7.8)%
Same store net lease properties (placed in service - 2016 and prior)	34,274	34,798	(524)	(1.5)%
Properties placed in service - 2017	22,282	9,264	13,018	140.5 %
Total rental income	$ 159,481	$ 155,700	$ 3,781	2.4 %

Rental income increased $3.8 million primarily as a result of the Rochester portfolio acquisition, which closed during the third and fourth quarters of 2017. On a same store basis, rental income declined primarily due to a decrease in the average occupancy for the Winterfell portfolio, which decreased to approximately 80% for the year ended December 31, 2018 as compared to approximately 89% for the year ended December 31, 2017.

Other Revenue

Other revenue increased $2.0 million and primarily represents additional revenue recognized from non-recurring services and fees at our operating facilities as well as interest earned on uninvested cash.

Net Interest Income

Net interest income decreased $5.1 million primarily as a result of the sale of our investment in the Freddie Mac securitization in the first quarter of 2018.

Expenses

Real Estate Properties - Operating Expenses

The following table presents property operating expenses incurred during the year ended December 31, 2018 as compared to the year ended December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Same store (placed in service - 2016 and prior)				
AL/MC/CCRC properties	$ 72,815	$ 70,622	$ 2,193	3.1 %
IL properties	73,312	68,116	5,196	7.6 %
Net lease properties	1,346 (1)	31	1,315	4,241.9 %
Properties placed in service - 2017	36,005 (2)	18,085	17,920	99.1 %
Properties placed in service - 2018	261	14	247	1,764.3 %
Properties sold	5,022	6,969	(1,947)	(27.9)%
Total property operating expenses	$ 188,761	$ 163,837	$ 24,924	15.2 %

(1) Primarily reserves for uncollectible rents from our net lease properties.
(2) Includes operating expenses incurred by our Kansas City portfolio, which transitioned from a net leased portfolio to an operating portfolio during the year ended December 31, 2017.

Property operating expenses increased $24.9 million, primarily as a result of real estate portfolios acquired during 2017. On a same store basis, property operating expenses increased primarily as a result of rising labor and benefits costs.

Interest Expense

The following table presents interest expense incurred during the year ended December 31, 2018 as compared to the year ended December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Same store (placed in service - 2016 and prior)				
AL/MC/CCRC properties	$ 16,056	$ 12,762	$ 3,294	25.8 %
IL properties	30,373	30,108	265	0.9 %
Net lease properties	13,326	12,266	1,060	8.6 %
Properties placed in service - 2017	9,923	5,478	4,445	81.1 %
Properties sold	243	394	(151)	(38.3)%
Corporate	275	74	201	271.6 %
Total interest expense	$ 70,196	$ 61,082	$ 9,114	14.9 %

Interest expense increased $9.1 million, primarily as a result of mortgage and seller financing obtained for 2017 acquisitions. On a same store basis, additional financing obtained for the Watermark Fountains portfolio in December 2017 resulted in an increase to interest expense.

Other Expenses Related to Securitization Trust

Other expenses related to securitization trust decreased $3.1 million as a result of the sale of our investment in the Freddie Mac securitization in the first quarter of 2018. Securitization trust expenses were primarily comprised of fees paid to Freddie Mac, the original issuer, as guarantor of the interest and principal payments related to the investment grade securitization bonds.

Transaction Costs

Transaction costs for the year ended December 31, 2018 are primarily a result of the residual costs incurred for the Winterfell and Avamere operator transition. Transaction costs for the year ended December 31, 2017 are primarily the result of the Rochester portfolio acquisition, which closed in the third and fourth quarters of 2017.

Asset Management and Other Fees - Related Party

Asset management and other fees - related party decreased $18.5 million primarily as a result of the December 2017 amendment to the advisory agreement which became effective during the first quarter of 2018. The amended advisory agreement reduced the monthly asset management fee and eliminated acquisition fees paid to our Advisor.

General and Administrative Expenses

General and administrative expenses increased $0.9 million, primarily as a result of higher direct corporate expenses, including legal, accounting and other professional fees, partially offset by lower corporate overhead costs incurred during the year ended December 31, 2018.

Depreciation and Amortization

The following table presents depreciation and amortization expense incurred during the year ended December 31, 2018 as compared to the year ended December 31, 2017 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2018	2017	Amount	%
Same store (placed in service - 2016 and prior)				
AL/MC/CCRC properties	$ 12,728	$ 12,097	$ 631	5.2 %
IL properties	62,677	62,127	550	0.9 %
Net lease properties	13,693	13,127	566	4.3 %
Properties placed in service - 2017	17,903	17,520	383	2.2 %
Properties placed in service - 2018	27	—	27	NA
Properties sold	105	588	(483)	(82.1)%
Total depreciation and amortization expense	$ 107,133	$ 105,459	$ 1,674	1.6 %

Depreciation and amortization expense increased $1.7 million, primarily as a result of real estate portfolios acquired during 2017 and capital improvements funded on same store portfolios.

Impairment Loss

During the year ended December 31, 2018, impairment losses totaling $36.3 million were recorded due to performance issues at properties within the Winterfell, Kansas City and Peregrine portfolios, as well as to reflect net realizable value of properties designated as held for sale.

During the year ended December 31, 2017, impairment loss of $5.0 million was recorded a facility within the Peregrine net lease portfolio, due to deteriorating operating results of the tenant.

Other Income (Loss)

Unrealized Gain (Loss) on Mortgage Loans Held in Securitization Trust, Net

During the year ended December 31, 2017, unrealized gain of $1.5 million on senior housing mortgage loans and debt held in a securitization trust represents the change in the fair value of the consolidated assets and liabilities of our investment in the Freddie Mac securitization. There was no unrealized gain recognized for the year ended December 31, 2018 as a result of the disposal of the investment.

Realized Gain (Loss) on Investments and Other

During the year ended December 31, 2018, realized gain (loss) on investments and other of $20.2 million is primarily a result of gains recognized from the sales of our investments in the Trilogy portfolio and Freddie Mac securitization.

Equity in Earnings (Losses) of Unconsolidated Ventures and Income Tax Benefit (Expense)

Equity in Earnings (Losses) of Unconsolidated Ventures (dollars in thousands):

	Year Ended December 31,									
	2018	2017	2018	2017	2018	2017			2018	2017
Portfolio	Equity in Earnings (Losses)		Select Revenues and Expenses, net[1]		Equity in Earnings, less Select Revenues and Expenses		Increase (Decrease)		Cash Distributions	
Eclipse	$ (624)	$ (1,562)	$ (2,280)	$ (3,401)	$ 1,656	$ 1,839	$ (183)	(10.0)%	$ 754	$ 1,227
Envoy	(37)	(934)	(301)	(1,349)	264	415	(151)	(36.4)%	283	427
Griffin-American	(12,717)	(6,885)	(24,780)	(18,728)	12,063	11,843	220	1.9 %	5,553	8,505
Espresso	(21,460)	(20,737)	(26,906)	(32,752)	5,446	12,015	(6,569)	(54.7)%	—	3,307
Trilogy	1,153	(5,224)	(14,810)	(23,193)	15,963	17,969	(2,006)	(11.2)%	5,977	—
Subtotal	$ (33,685)	$ (35,342)	$ (69,077)	$ (79,423)	$ 35,392	$ 44,081	$ (8,689)	(19.7)%	$ 12,567	$ 13,466
Operator Platform[2]	168	28	—	—	168	28	140	500.0 %	107	—
Total	$ (33,517)	$ (35,314)	$ (69,077)	$ (79,423)	$ 35,560	$ 44,109	$ (8,549)	(19.4)%	$ 12,674	$ 13,466

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

Equity in earnings (losses) of unconsolidated ventures decreased $1.8 million, primarily due to one-time events in our investment in the Espresso joint venture, including a liability extinguishment gain recognized during the year ended December 31, 2018 and a loan loss reserve recognized during the year ended December 31, 2017. The liability extinguishment gain and the loan loss reserve totaled $14.1 million and $11.4 million, respectively.

Equity in earnings, net of select revenues and expenses, decreased $8.5 million primarily due to the Espresso portfolio, which has experienced three operator transitions, resulting in a decrease in rental income.

Income Tax Benefit (Expense)

Income tax expense for the year ended December 31, 2018 was $114,000 and related to our operating properties, which operate through a taxable REIT subsidiary structure. Income tax expense for the year ended December 31, 2017 was $43,000.

Liquidity and Capital Resources

Our current principal liquidity needs are to fund: (i) principal and interest payments on our borrowings and other commitments; (ii) operating expenses; (iii) capital expenditures, development and redevelopment activities, including capital calls in connection with our unconsolidated joint venture investments; and (iv) repurchases of our shares.

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

Our investments generate cash flow in the form of rental revenues, resident fees and interest income, which are reduced by operating expenditures, debt service payments, capital expenditures and corporate general and administrative expenses. Our business continues to be impacted by limited growth in revenues due to stagnant occupancy and rate pressures as well as rising labor and benefits costs, resulting in compressed operating margins. Our debt service obligations have also increased over the same period, primarily due to increased recurring principal amortization. At the same time, we believe we need to continue to invest capital into our properties in order to maintain market position, as well as functional and operating standards, or to add value to our properties. As a result, our board of directors has suspended distributions and limited share repurchases, as described in further detail below, in order to maintain adequate liquidity and flexibility to support the execution of our strategic objectives and drive long-term value for stockholders.

We currently believe that our capital resources are sufficient to meet our capital needs for the following 12 months. For additional information regarding our liquidity needs and capital resources, see below. As of March 19, 2020, we had approximately $39.6 million of unrestricted cash.

Cash From Operations

We primarily generate cash flow from operations through net operating income from our operating properties, rental income from our net leased properties and interest from our debt investment, as well as distributions from our investments in unconsolidated ventures. Net cash provided by operating activities was $25.3 million for the year ended December 31, 2019.

A substantial majority of our properties, or 79.0% of our operating real estate, excluding our unconsolidated ventures and properties designated held for sale, are operating properties whereby we are directly exposed to various operational risks. During the year ended December 31, 2019, our cash flow from operations continues to be negatively impacted by, among other things, suboptimal occupancy levels, rate pressures, increased labor and benefits costs, as well as rising real estate taxes.

In addition, we have significant joint ventures and may not be able to control the timing of distributions, if any, from these investments. As of December 31, 2019, our unconsolidated joint ventures and consolidated joint ventures represented 35.2% and 20.8%, respectively, of our total real estate equity investments, based on cost.

Borrowings

We use asset-level financing as part of our investment strategy and are required to make recurring principal and interest payments on our borrowings. As of December 31, 2019, we had $1.5 billion of consolidated asset-level borrowings outstanding. During year ended December 31, 2019, we paid $22.9 million and $64.2 million in recurring principal and interest payments, respectively, on these borrowings. We currently anticipate that both recurring principal and interest payments will remain consistent in 2020.

Our unconsolidated joint ventures also have significant asset level borrowings. In June 2019, our Griffin-American joint venture completed the refinancing of its prior $1.7 billion consolidated healthcare loan maturing in December 2019. The new interest-only loan totals $1.5 billion with a five-year term, inclusive of extension options. The collateral package for the new loan includes 158 U.S. healthcare properties, but excludes certain assets that were collateral for the previous loan. We have contributed our proportionate share of additional equity to the joint venture to complete the refinancing, which totaled approximately $37.4 million, however, the $16.9 million net proceeds received from the sale of three unencumbered properties within the joint venture effectively decreased the equity contribution required to complete the refinancing.

In addition, our Sponsor Line provides a revolving line of credit for up to $35.0 million. We have not drawn on our Sponsor Line in 2019 and currently have no borrowings outstanding under our Sponsor Line.

Our charter limits us from incurring borrowings that would exceed 300.0% of our net assets. We cannot exceed this limit unless any excess in borrowing over such level is approved by a majority of our independent directors. We would need to disclose any such approval to our stockholders in our next quarterly report along with the justification for such excess. An approximation of this leverage limitation, excluding indirect leverage held through our unconsolidated joint venture investments and any securitized mortgage obligations to third parties, is 75.0% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2019, our leverage was 60.7% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2019, indirect leverage on assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation, held through our unconsolidated joint ventures was 63.2%.

Although no significant consolidated borrowings mature in 2020 or 2021, $466.5 million of mortgage notes payable secured by the Watermark Fountains net lease and operating portfolios matures in June 2022, which may require capital to be funded if favorable refinancing is not obtained.

For additional information regarding our borrowings, including principal repayments, timing of maturities and loans currently in default, refer to Note 6, "Borrowings" in our accompanying consolidated financial statements included in "Financial Statements and Supplementary Data."

Capital Expenditures, Development and Redevelopment Activities

We are responsible for capital expenditures for our operating properties and, from time to time, may also fund capital expenditures for certain net leased properties. We continue to invest capital into our operating portfolio in order to maintain market position, as well as functional and operating standards. During the year ended December 31, 2019, we spent $22.3 million on capital expenditures for our direct investments. In addition, we will continue to execute on and identify strategic development opportunities for our existing investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide an optimal mix of services, increase operating income, achieve property stabilization and enhance the overall value of our assets.

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

Disposition of Investments

We also evaluate dispositions of non-core investments to provide an additional source of liquidity. In 2019, we generated total net proceeds, after mortgage and loan repayments, of $26.6 million from dispositions of our direct investments and investments within our unconsolidated ventures. Refer to "—2019 Significant Developments" for additional details. We will continue to evaluate and expect additional dispositions of investments in 2020.

We have made significant investments through both consolidated and unconsolidated joint ventures with third parties which we may share decision-making authority regarding certain major decisions and could prevent us from selling properties or our interest in the joint venture.

Further, our $74.2 million mezzanine loan debt investment matures January 2021. If the borrower is not able to refinance with another lender or otherwise repay the principal amount at its stated maturity, we may have to negotiate modifications to the loan agreement, which may delay our ability to realize liquidity from this investment.

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, and continue to generate, net operating losses for tax purposes and, accordingly, are currently not required to make distributions to our stockholders to qualify as a REIT. Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity. Refer to "Distributions Declared and Paid" for further information regarding our historical distributions.

Repurchases

We have adopted a Share Repurchase Program effective August 7, 2012, as most recently amended in October 2018, which enables stockholders to sell their shares to us in limited circumstances. In October 2018, our board of directors approved an amended and restated Share Repurchase Program, under which we will only repurchase shares in connection with the death or qualifying disability of a stockholder. However, our board of directors may amend, suspend or terminate our Share Repurchase Program at any time, subject to certain notice requirements. During the year ended December 31, 2019, we repurchased 1.5 million shares for an aggregate amount of $10.7 million. Refer to Note 9, "Stockholders' Equity" and Note 15, "Subsequent Events" in our accompanying consolidated financial statements included in "Financial Statements and Supplementary Data."

Other Commitments

We expect to continue to make payments to our Advisor, or its affiliates, pursuant to our advisory agreement, as applicable, in connection with the management of our assets and costs incurred by our Advisor in providing services to us. In December 2017, our advisory agreement was amended with changes to the asset management and acquisition fee structure. We renewed our advisory agreement with our Advisor on June 30, 2019 for an additional one-year term on terms identical to those previously in effect. Refer to "—Related Party Arrangements" for further information regarding our advisory fees.

Cash Flows

The following presents a summary of our consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Year Ended December 31,				
Cash flows provided by (used in):	**2019**	**2018**	**2017**	**2019 vs. 2018 Change**	**2018 vs. 2017 Change**
Operating activities	$ 25,298	$ 27,986	$ 10,129	$ (2,688)	$ 17,857
Investing activities	(4,287)	73,948	(314,394)	(78,235)	388,342
Financing activities	(56,699)	(87,914)	132,861	31,215	(220,775)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (35,688)	$ 14,020	$ (171,404)	$ (49,708)	$ 185,424

Year Ended December 31, 2019 compared to December 31, 2018

Operating Activities

Net cash provided by operating activities totaled $25.3 million for the year ended December 31, 2019, compared to $28.0 million for the year ended December 31, 2018. The decrease was primarily attributable to the timing of property operating expense payments, which resulted in our operating properties having lower accounts payable and accrued expense balances as of December 31, 2019 as compared to December 31, 2018. Lower interest income due to the sale of our investment in the Freddie Mac securitization in March 2018 also contributed to the variance.

Investing Activities

Our cash flows from investing activities are generally used to fund investment improvements and acquisitions, net of any investment dispositions. Net cash used in investing activities was $4.3 million for the year ended December 31, 2019 compared to net cash provided by investing activities of $73.9 million for the year ended December 31, 2018. Cash flows used in investing activities for the year ended December 31, 2019 were primarily the Griffin-American capital contribution funded in June 2019 and additional capital improvements to existing investments, partially offset by the proceeds from the Peregrine properties sale and distributions received from our investment in unconsolidated ventures. Cash flows provided by investing activities for the year ended December 31, 2018 were primarily attributable to the sale of an ownership interest in the Trilogy joint venture and the sale of our investment in the Freddie Mac securitization, partially offset by additional capital improvements to existing investments.

The following table presents cash used for capital expenditures during the year ended December 31, 2019 as compared to the year ended December 31, 2018, excluding capital expenditures made at our unconsolidated ventures (dollars in thousands):

	Year Ended December 31,		
Capital Expenditures	**2019**	**2018**	**2019 vs. 2018 Change**
Development projects	$ —	$ 4,382	$ (4,382)
Recurring	22,323	26,830	(4,507)
Total improvement of operating real estate investments	$ 22,323	$ 31,212	$ (8,889)

Financing Activities

Our cash flows from financing activities are principally impacted by our distributions paid on common stock and changes in our mortgage notes payable. Cash flows used in financing activities was $56.7 million for the year ended December 31, 2019 compared to $87.9 million for the year ended December 31, 2018. The decrease in cash used of $31.2 million was primarily attributable to the suspension of dividends in February 2019 and amended share repurchase program in October 2018, partially offset by the Peregrine portfolio mortgage repayment in May 2019.

Year Ended December 31, 2018 compared to December 31, 2017

Operating Activities

Net cash provided by operating activities was $28.0 million for the year ended December 31, 2018 compared to $10.1 million for the year ended December 31, 2017. The increase of $17.9 million was primarily attributable to a decrease in asset management and acquisition fees paid to our Advisor.

Investing Activities

Our cash flows from investing activities are generally used to fund investment improvements and acquisitions, net of any investment dispositions. Net cash provided by investing activities was $73.9 million for the year ended December 31, 2018 compared to net cash used of $314.4 million for the year ended December 31, 2017. Cash flows provided by investing activities for the year ended December 31, 2018 are primarily attributable to the sale of an ownership interest in the Trilogy joint venture and the sale of our investment in the Freddie Mac securitization, partially offset by additional capital improvements to existing investments. Cash flows used in investing activities for the year ended December 31, 2017 primarily relate to the acquisition of three operating real estate portfolios and additional capital contributions to our unconsolidated ventures.

The following table presents cash used for capital improvements during the year ended December 31, 2018 as compared to the year ended December 31, 2017, excluding capital improvements made at our unconsolidated ventures (dollars in thousands):

	Year Ended December 31,		
Capital Improvements	**2018**	**2017**	**2018 vs. 2017 Change**
Development projects	$ 4,382	$ 1,439	$ 2,943
Recurring	26,830	18,737	8,093
Total improvement of operating real estate investments	$ 31,212	$ 20,176	$ 11,036

Financing Activities

Our cash flows from financing activities are principally impacted by our distributions paid on common stock and changes in our mortgage notes payable. Cash flows used in financing activities was $87.9 million for the year ended December 31, 2018 compared to cash flows provided by financing activities of $132.9 million for the year ended December 31, 2017. The change of $220.8 million was primarily attributable to payments of dividends and share repurchases, while no proceeds were obtained from real estate financings during the year ended December 31, 2018.

Contractual Obligations and Commitments

The following table presents contractual obligations and commitments as of December 31, 2019 (dollars in thousands):

	Payments Due by Period				
		2020	**2021 - 2022**	**2023 - 2024**	**2025 and Thereafter**
	Total	**Less than 1 year**	**1-3 years[6]**	**3-5 years[7]**	**More than 5 years**
Mortgage and notes other payables - consolidated[1]	$ 1,455,413	$ 23,751	$ 542,896	$ 38,834	$ 849,932
Mortgage and notes other payables - unconsolidated[1][2]	794,771	25,370	138,486	381,382	249,533
Estimated interest payments - consolidated[3]	273,536	61,762	106,487	73,987	31,300
Estimated interest payments - unconsolidated[2][3]	257,244	37,687	62,559	43,537	113,461
Advisor asset management fee[4]	106,344	17,724	35,448	35,448	17,724
Total[5]	$ 2,887,308	$ 166,294	$ 885,876	$ 573,188	$ 1,261,950

(1) Represents contractual amortization of principal and repayment upon contractual maturity.
(2) Represents our proportionate interest in the underlying obligations and commitments of our unconsolidated ventures. We are not directly liable for the obligations and commitments of our unconsolidated ventures. Borrowings that are maturing in our unconsolidated ventures may require us to fund additional contributions if favorable refinancing is not obtained. We are not obligated to fund capital contributions, however our investment in the unconsolidated investment may be diluted and we may be prohibited from participating in future cash flows if we are unable to fund.
(3) Estimated interest payments are based on the remaining life of the borrowings. Applicable LIBOR rate plus the respective spread as of December 31, 2019 was used to estimate payments for our floating-rate borrowings.
(4) Subject to certain restrictions and limitations, our Advisor is responsible for managing our affairs on a day-to-day basis and for identifying, originating, acquiring and managing investments on our behalf. For such services, our Advisor receives management fees from us based on our most recent net asset value. In addition, our advisory agreement must be renewed in June 2020 and may be renewed on different terms or may be terminated at any time, subject to notice requirements. As a result, the amount included in the table above is an estimate only and assumes the current net asset value and the continuation of our advisory agreement on its current terms. Included in the table is $10.0 million of advisor asset management fees per year that are payable in shares of our common stock. Refer to "—Related Party Arrangements" for additional information on our Advisor asset management fee.
(5) Excludes construction related and other commitments for future development.
(6) Total includes $290.4 million and $595.5 million for years ended December 31, 2021 and 2022, respectively.
(7) Total includes $171.1 million and $402.1 million for years ended December 31, 2023 and 2024, respectively.

In addition, our joint venture partners may be entitled to call additional capital under the governing documents of our joint ventures and certain of our tenants/operators/managers may require us to fund capital projects under our leases or management agreements.

Although we may not be obligated to fund such capital contributions or capital projects, we may be subject to adverse consequences for any such failure to fund.

Off-Balance Sheet Arrangements

As of December 31, 2019, 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 "Financial Statements and Supplementary Data" for a discussion of such unconsolidated ventures in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

Inflation

Some of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors may influence our performance. A change in interest rates may correlate with the inflation rate. Substantially all of the leases allow for annual rent increases based on the greater of certain percentages or increase in the relevant consumer price index. Such types of leases generally minimize the risks of inflation on our healthcare properties.

Refer to "Quantitative and Qualitative Disclosures About Market Risk" for additional details.

Related Party Arrangements

Advisor

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

In December 2017, our advisory agreement was amended with changes to the asset management and acquisition fee structure as further described below. In June 2019, our advisory agreement was renewed for an additional one-year term commencing on June 30, 2019, with terms identical to those in effect through June 30, 2019.

Fees to Advisor

Asset Management Fee

From inception through December 31, 2017, our Advisor received a monthly asset management fee equal to one-twelfth of 1.0% of the sum of the amount funded or allocated for investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or our proportionate share thereof in the case of an investment made through a joint venture).

Effective January 1, 2018, our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared by our board of directors in connection with a sale, transfer or other disposition of a substantial portion of our assets, with $2.5 million per calendar quarter of such fee paid in shares of our common stock at a price per share equal to the most recently published net asset value per share.

Our Advisor has also agreed that all shares of our common stock issued to it in consideration of the asset management fee will be subordinate in the share repurchase program to shares of our common stock held by third party stockholders for a period of two years, unless our advisory agreement is earlier terminated.

Incentive Fee

Our Advisor is entitled to receive distributions equal to 15.0% of our net cash flows, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital.

Acquisition Fee

From inception through December 31, 2017, our Advisor received fees for providing structuring, diligence, underwriting advice and related services in connection with real estate acquisitions equal to 2.25% of each real estate property acquired by us, including acquisition costs and any financing attributable to an equity investment (or the proportionate share thereof in the case of an indirect equity investment made through a joint venture or other investment vehicle) and 1.0% of the amount funded or allocated by us to

acquire or originate debt investments, including acquisition costs and any financing attributable to such investments (or the proportionate share thereof in the case of an indirect investment made through a joint venture or other investment vehicle).

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

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by our independent directors, our Advisor may receive a disposition fee of 2.0% of the contract sales price of each property sold and 1.0% of the contract sales price of each debt investment sold. We do not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a debt investment unless there is a corresponding fee paid by our borrower, in which case the disposition fee is the lesser of: (i) 1.0% of the principal amount of the debt investment prior to such transaction; or (ii) the amount of the fee paid by our borrower in connection with such transaction. If we take ownership of a property as a result of a workout or foreclosure of a debt investment, we will pay a disposition fee upon the sale of such property. A disposition fee from the sale of an investment is generally expensed and included in asset management and other fees - related party in our consolidated statements of operations. A disposition fee for a debt investment incurred in a transaction other than a sale is included in debt investments, net on our consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Reimbursements to Advisor

Operating Costs

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

Summary of Fees and Reimbursements

The following tables present the fees and reimbursements incurred and paid to our Advisor for the years ended December 31, 2019 and 2018 and the amount due to related party as of December 31, 2019, 2018 and 2017 (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2018	Year Ended December 31, 2019		Due to Related Party as of December 31, 2019
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,665	$ 19,789	$ (19,977) [2]	$ 1,477
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,010	11,892	(11,599)	4,303
Total		$ 5,675	$ 31,681	$ (31,576)	$ 5,780

(1) We did not incur any disposition fees during the year ended December 31, 2019, nor were any such fees outstanding as of December 31, 2019.
(2) Includes $9.9 million paid in shares of our common stock and a $0.1 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2019, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us. For the year ended December 31, 2019, total operating expenses included in the 2%/25% Guidelines represented 0.3% of average invested assets and 61.8% of net loss without

reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves. Cost of capital is included in net proceeds from issuance of common stock in our consolidated statements of equity. For the year ended December 31, 2019, we did not incur any offering costs.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2017	Year Ended December 31, 2018		Due to Related Party as of December 31, 2018
			Incurred	Paid	
Fees to Advisor Entities					
Asset management[1]	Asset management and other fees-related party	$ —	$ 23,486	$ (21,821) [2]	$ 1,665
Acquisition[2]	Investments in unconsolidated ventures/Asset management and other fees-related party	8	(8)	—	—
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	1,038	12,631	(9,659)	4,010
Total		$ 1,046	$ 36,109	$ (31,480)	$ 5,675

(1) Includes $9.0 million paid in shares of our common stock and a $0.2 million gain recognized on the settlement of the share-based payment.
(2) We did not incur any disposition fees during the year ended December 31, 2018, nor were any such fees outstanding as of December 31, 2017.
(3) As of December 31, 2018, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us. For the year ended December 31, 2018, total operating expenses included in the 2%/25% Guidelines represented 0.4% of average invested assets and 54.9% of net loss without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves. Cost of capital is included in net proceeds from issuance of common stock in our consolidated statements of equity. For the year ended December 31, 2018, we did not incur any offering costs.

Pursuant to our advisory agreement, for the year ended December 31, 2019, we issued 1.4 million shares totaling $9.9 million, based on the estimated share price on the date of each issuance, to an affiliate of our Advisor as part of its asset management fee.

As of December 31, 2019, our Advisor, our Sponsor and their affiliates owned a total of 3.1 million shares or $19.4 million of our common stock based on our most recent estimated value per share.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, who owns 80.0%, and us, who owns 20.0%. For the year ended December 31, 2019, we recognized property management fee expense of $5.2 million paid to Solstice related to the Winterfell portfolio.

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

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	Colony Capital/ Formation Capital, LLC	May 2014	5.6%
Griffin-American	Colony Capital	December 2014	14.3%

In connection with the acquisition of the Griffin-American portfolio by NorthStar Realty, now a subsidiary of Colony Capital, and us, our Sponsor acquired a 43.0%, as adjusted, ownership interest in American Healthcare Investors, LLC, or AHI, and Mr. James F. Flaherty III, a partner of our Sponsor, acquired a 12.3% ownership interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American, until Griffin-American was acquired by us and NorthStar Realty.

In December 2015, we, through a joint venture with GAHR3, a REIT sponsored and advised by AHI, acquired a 29.0% interest in the Trilogy portfolio, a $1.2 billion healthcare portfolio and contributed $201.7 million for our interest. The purchase was approved by our board of directors, including all of our independent directors. In October 2018, we sold 20.0% of our ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced our ownership interest in the joint venture from approximately 29% to 23%. We sold the ownership interest to a wholly owned subsidiary of the operating partnership of GAHR4, a REIT sponsored by AHI.

Origination of Mezzanine Loan

In July 2015, we originated a $75.0 million mezzanine loan to a subsidiary of our joint venture with Formation and Safanad Management Limited, or the Espresso joint venture, which bears interest at a fixed rate of 10.0% per year and matures in January 2021. In November 2019, we received a partial repayment of principal on the Espresso mezzanine loan totaling $0.8 million.

Colony Capital Line of Credit

In October 2017, we obtained our Sponsor Line for up to $15.0 million at an interest rate of 3.5% plus LIBOR. Our Sponsor Line has an initial one year term, with an extension option of six months. Our Sponsor Line was approved by our board of directors, including all of our independent directors. In November 2017, the borrowing capacity under our Sponsor Line was increased to $35.0 million. In March 2018, our Sponsor Line maturity was extended through December 2020 and in May 2019, the maturity date was further extended through December 2021. As of December 31, 2018, we had drawn and fully repaid $25.0 million under our Sponsor Line. We did not utilize our Sponsor Line during the year ended December 31, 2019.

Recent Developments

The following is a discussion of material events which have occurred subsequent to December 31, 2019 through the issuance of the consolidated financial statements.

Share Repurchases

For the period from January 1, 2020 through March 19, 2020, we repurchased 0.3 million shares for a total of $2.0 million or a price of $6.25 per share under our Share Repurchase Program. Refer to "Financial Statements and Supplementary Data," Note 9, "Stockholders' Equity" for additional information regarding our Share Repurchase Program.

Coronavirus Outbreak

In December 2019, a novel strain of coronavirus emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally. The World Health Organization has declared the coronavirus outbreak a pandemic, the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak and the Centers for Disease Control and Prevention has stated that older adults are at a higher risk for serious illness from the coronavirus. Due to the fact our portfolio is comprised entirely of healthcare real estate, with a focus on the mid-acuity senior housing sector, the coronavirus will impact our operating results to the extent that its continued spread reduces occupancy at our properties, results in quarantines for residents and/or bans on admissions at our properties, reduces the ability to continue to obtain necessary goods and provide adequate staffing at our properties or increases the cost burdens faced by our operators. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others. At this time, we are unable to estimate the impact of this event on our operations, but expect that it will have a material impact on our operations in the coming months.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

We believe that FFO and 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 NAREIT, as net income (loss) (computed in accordance with U.S. GAAP), excluding gains (losses) from sales of depreciable property, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, impairment on depreciable property owned directly or indirectly and after adjustments for unconsolidated ventures.

Changes in the accounting and reporting rules under U.S. GAAP that have been put into effect since the establishment of NAREIT's definition of FFO have prompted an increase in the non-cash and non-operating items included in FFO. For instance, the accounting treatment for acquisition fees related to business combinations has changed from being capitalized to being expensed. Additionally, publicly registered, non-traded REITs are typically different from traded REITs because they generally have a limited life followed by a liquidity event or other targeted exit strategy. Non-traded REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation as compared to later years when the proceeds from their initial public offering have been fully invested and when they may seek to implement a liquidity event or other exit strategy. However, it is likely that we will make investments past the acquisition and development stage, albeit at a substantially lower pace.

Acquisition fees paid to our Advisor in connection with the origination and acquisition of debt investments are amortized over the life of the investment as an adjustment to interest income, while fees paid to our Advisor in connection with the acquisition of equity investments are generally expensed under U.S. GAAP. In both situations, the fees are included in the computation of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense), both of which are performance measures under U.S. GAAP. We adjust MFFO for the amortization of acquisition fees in the period when such amortization is recognized under U.S. GAAP or in the period in which the acquisition fees are expensed. Acquisition

fees are paid in cash that would otherwise be available to distribute to our stockholders. Such fees and expenses will not be reimbursed by our Advisor or its affiliates and third parties, and therefore, such fees and expenses will need to be paid from either additional debt, operating earnings, cash flow or net proceeds from the sale of investments or properties. However, in general, we earn origination fees for debt investments from our borrowers in an amount equal to the acquisition fees paid to our Advisor. Effective January 1, 2018, our Advisor no longer receives an acquisition fee in connection with our acquisition of real estate properties or debt investments.

Due to certain of the unique features of publicly-registered, non-traded REITs, the IPA, an industry trade group, standardized a performance measure known as MFFO and recommends the use of MFFO for such REITs. Management believes MFFO is a useful performance measure to evaluate our business and further believes it is important to disclose MFFO in order to be consistent with the IPA recommendation and other non-traded REITs. MFFO adjusts for items such as acquisition fees would only be comparable to non-traded REITs that have completed the majority of their acquisition activity and have other similar operating characteristics as us. Neither the U. S. Securities and Exchange Commission, or SEC, nor any other regulatory body has approved the acceptability of the adjustments that we use to calculate MFFO. In the future, the SEC or another regulatory body may decide to standardize permitted adjustments across the non-listed REIT industry and we may need to adjust our calculation and characterization of MFFO.

MFFO is a metric used by management to evaluate our future operating performance once our organization and offering and acquisition and development stages are complete and is not intended to be used as a liquidity measure. Although management uses the MFFO metric to evaluate future operating performance, this metric excludes certain key operating items and other adjustments that may affect our overall operating performance. MFFO is not equivalent to net income (loss) as determined under U.S. GAAP. In addition, MFFO is not a useful measure in evaluating net asset value, since impairment is taken into account in determining net asset value but not in determining MFFO.

We define MFFO in accordance with the concepts established by the IPA, and adjust for certain items, such as accretion of a discount and amortization of a premium on borrowings and related deferred financing costs, as such adjustments are comparable to adjustments for debt investments and will be helpful in assessing our operating performance. We also adjust MFFO for the non-recurring impact of the non-cash effect of deferred income tax benefits or expenses, as applicable, as such items are not indicative of our operating performance. Similarly, we adjust for the non-cash effect of unrealized gains or losses on unconsolidated ventures. Our computation of MFFO may not be comparable to other REITs that do not calculate MFFO using the same method. MFFO is calculated using FFO. FFO, as defined by NAREIT, is a computation made by analysts and investors to measure a real estate company's operating performance. The IPA's definition of MFFO excludes from FFO the following items:

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

Certain of the above adjustments are also made to reconcile net income (loss) to net cash provided by (used in) operating activities, such as for the amortization of a premium and accretion of a discount on debt and securities investments, amortization of fees, any unrealized gains (losses) on derivatives, securities or other investments, as well as other adjustments.

MFFO excludes non-recurring impairment of real estate-related investments. We assess the credit quality of our investments and adequacy of reserves/impairment on a quarterly basis, or more frequently as necessary. Significant judgment is required in this analysis. With respect to debt investments, we consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the prospects for the borrower and the competitive situation of the region where the borrower does business. Fair value is typically estimated based on discounting expected future cash flow of the underlying collateral taking into consideration the discount rate, capitalization rate, occupancy, creditworthiness of major tenants and many other factors. This requires significant judgment and because it is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the consolidated balance sheets date. If the estimated fair value of the underlying collateral for the debt investment is less than its net carrying value, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. With respect to a real estate investment, a property's value is considered impaired if a triggering event is identified and our estimate of the aggregate future undiscounted cash flow to be generated by the property is less than the carrying value of the property. The value of our investments may be impaired and their carrying values may not be recoverable due to our limited life. Investors should note that while impairment charges are excluded from the calculation of MFFO, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flow and the relatively limited term of a non-traded REIT's anticipated operations, it could be difficult to recover any impairment charges through operational net revenues or cash flow prior to any liquidity event.

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance once our organization and offering, and acquisition and development stages are complete, because it eliminates from net income non-cash fair value adjustments on our real estate securities and acquisition fees and expenses that are incurred as part of our investment activities. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we were to extend our acquisition and development stage or if we determined not to pursue an exit strategy.

However, MFFO does have certain limitations. For instance, the effect of any amortization or accretion on debt investments originated or acquired at a premium or discount, respectively, is not reported in MFFO. In addition, realized gains (losses) from acquisitions and dispositions and other adjustments listed above are not reported in MFFO, even though such realized gains (losses) and other adjustments could affect our operating performance and cash available for distribution. Stockholders should note that any cash gains generated from the sale of investments would generally be used to fund new investments. Any mark-to-market or fair value adjustments may be based on many factors, including current operational or individual property issues or general market or overall industry conditions.

We purchased Class B healthcare-related securities in a securitization trust at a discount to par value, and would have recorded the accretion of the discount as interest income (which we refer to as the effective yield) had we been able to record the transaction as an available for sale security. As we were granted certain rights with our purchase, U.S. GAAP required us to consolidate the whole securitization trust and eliminate the Class B securities. We believe that reporting the effective yield in MFFO provided better insight to the expected contractual cash flows and was more consistent with our review of operating performance. The effective yield computation under U.S. GAAP and MFFO was the same.

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

The following table presents a reconciliation of net income (loss) attributable to common stockholders to FFO and MFFO attributable to common stockholders (dollars in thousands) for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Funds from operations:			
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (76,960)	$ (151,578)	$ (137,771)
Adjustments:			
Depreciation and amortization	70,989	107,133	105,459
Impairment losses of depreciable real estate	27,554	35,552	5,000
Depreciation and amortization related to unconsolidated ventures	31,892	32,877	38,804
Depreciation and amortization related to non-controlling interests	(635)	(779)	(620)
Impairment loss on real estate related to non-controlling interests	(585)	(62)	—
Realized (gain) loss from sales of property	(6,104)	(14,148)	—
Realized gain (loss) from sales of property related to non-controlling interests	—	2	—
Realized (gain) loss from sales of property related to unconsolidated ventures	(4,065)	1,446	694
Impairment losses of depreciable real estate held by unconsolidated ventures	2,663	22,568	5,265
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 44,749	$ 33,011	$ 16,831
Modified funds from operations:			
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 44,749	$ 33,011	$ 16,831
Adjustments:			
Acquisition fees and transaction costs	122	878	17,057
Straight-line rental (income) loss	(467)	440	(1,673)
Amortization of premiums, discounts and fees on investments and borrowings	4,914	4,903	4,181
Amortization of discounts on healthcare-related securities	—	314	1,531
Adjustments related to unconsolidated ventures[(1)]	10,075	12,185	34,660
Adjustments related to non-controlling interests	(25)	13	(182)
Realized (gain) loss on investments and other	(679)	(6,094)	(116)
Unrealized (gain) loss on mortgage loans held in securitization trust	—	—	(1,503)
Impairment of assets other than real estate	—	725	—
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 58,689	$ 46,375	$ 70,786

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

Distributions Declared and Paid

We generally paid distributions on a monthly basis based on daily record dates on the first business day of the month following the month for which the distribution was accrued. From the date of our first investment on April 5, 2013 through December 31, 2017, we paid an annualized distribution amount of $0.675 per share of our common stock. Our board of directors approved a daily cash distribution of $0.000924658 per share of common stock, equivalent to an annualized distribution amount of $0.3375 per share, for the year ended December 31, 2018 and month ended January 31, 2019. Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity.

The following table presents distributions declared for the years ended December 31, 2019 and 2018 (dollars in thousands):

	Year Ended December 31,					
	December 31, 2019			December 31, 2018		
Distributions[1]						
Cash	$	2,991		$	32,739	
DRP		2,422			30,517	
Total	$	5,413		$	63,256	
Sources of Distributions[1]						
FFO[2]	$	5,413	100%	$	33,011	52%
Offering proceeds - Other		—	—%		30,245	48%
Total	$	5,413	100%	$	63,256	100%
Cash Flow Provided by (Used in) Operations	$	25,298		$	27,986	

(1) Represents distributions declared for such period, even though such distributions are actually paid to stockholders the month following such period.
(2) From inception of our first investment on April 5, 2013 through December 31, 2019, we declared $433.8 million in distributions. Cumulative FFO for the period from April 5, 2013 through December 31, 2019 was $92.4 million.

For the year ended December 31, 2018, distributions in excess of FFO were paid using available capital sources, including proceeds from borrowings and dispositions. To the extent distributions are paid from sources other than FFO, the ownership interest of our public stockholders will be diluted. Future distributions declared and paid may exceed FFO and cash flow provided by operations. FFO, as defined, may not reflect actual cash available for distributions. Our ability to pay distributions from FFO or cash flow provided by operations depends upon our operating performance, including the financial performance of our investments in the current real estate and financial environment, the type and mix of our investments, accounting of our investments in accordance with U.S. GAAP, the performance of underlying debt and ability to maintain liquidity. We will continue to assess our distribution policy in light of our operating performance and capital needs.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Changes in interest rates may affect our net income as a result of changes in interest expense incurred in connection with floating-rate borrowings used to finance our equity investments. As of December 31, 2019, 11.9% of our total borrowings were floating rate liabilities and none of our real estate debt investments were floating rate investments. As of December 31, 2019, all floating rate liabilities outstanding related to mortgage notes payable of our direct operating investments. As of December 31, 2019, we had one line of credit which carries a floating interest rate, with no outstanding liabilities.

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

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

The interest rate on our floating-rate liabilities is a fixed spread over an index such as LIBOR and typically reprices every 30 days based on LIBOR in effect at the time. As of December 31, 2019, a hypothetical 100 basis point increase in interest rates would increase net interest expense by $1.7 million annually. We did not have any floating rate real estate debt investments as of December 31, 2019.

A change in interest rates could affect the value of our fixed-rate debt investments. For instance, an increase in interest rates would result in a higher required yield on investments, which would decrease the value on existing fixed-rate investments in order to adjust their yields to current market levels. As of December 31, 2019, we had one fixed-rate debt investment with a carrying value of $55.5 million.

In July 2017, the Chief Executive of the U.K. FCA, announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

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

Credit Risk

We are subject to the credit risk of the tenants, operators and managers of our healthcare properties. We undertake a rigorous credit evaluation of each healthcare operator prior to acquiring healthcare properties. This analysis includes an extensive due diligence investigation of the operator or manager's business as well as an assessment of the strategic importance of the underlying real estate to the operator or manager's core business operations. Where appropriate, we may seek to augment the operator or manager's commitment to the facility by structuring various credit enhancement mechanisms into the underlying leases, management agreements or joint venture arrangements. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy. In addition, we actively monitor lease coverage at each facility within our healthcare portfolio. The extent of pending or future healthcare regulation may have a material impact on the valuation and financial performance of this portion of our portfolio.

Credit risk in our debt investment relates to the borrower's ability to make required interest and principal payments on scheduled due dates. We seek to manage credit risk through our Advisor's comprehensive credit analysis prior to making an investment, actively monitoring our portfolio and the underlying credit quality, including subordination and diversification of our portfolio. Our analysis is based on a broad range of real estate, financial, economic and borrower-related factors which we believe are critical to the evaluation of credit risk inherent in a transaction.

As of December 31, 2019, one borrower, a subsidiary of the Espresso joint venture, accounted for 100.0% of the aggregate principal amount of our debt investments and 100.0% of our interest income for the year ended December 31, 2019. We continue to assess the collectability of principal and interest and monitor the status of the sub-portfolios and senior lenders within the joint venture. The debt investment matures in January 2021 and if the borrower is not able to refinance with another lender or otherwise repay the principal amount at its stated maturity, we may have to negotiate modifications to the loan agreement, which may delay our ability to realize liquidity from this investment.

Risk Concentration

The following table presents the operators and tenants of our properties, excluding properties owned through unconsolidated joint ventures as of December 31, 2019 (dollars in thousands):

				Year Ended December 31, 2019	
Operator / Tenant		**Properties Under Management**	**Units Under Management[1]**	**Property and Other Revenues[2]**	**% of Total Property and Other Revenues**
Watermark Retirement Communities		30	5,265	$ 152,351	52.0%
Solstice Senior Living	(3)	32	4,000	105,497	36.0%
Avamere Health Services		5	453	16,979	5.8%
Arcadia Management		4	572	10,615	3.6%
Integral Senior Living	(3)	3	162	6,417	2.2%
Peregrine Senior Living	(4)	—	—	598	0.2%
Senior Lifestyle Corporation	(5)	1	63	—	—%
Other	(6)	—	—	721	0.2%
Total		75	10,515	$ 293,178	100.0%

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties, as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs, MCFs and CCRCs, 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) In May 2019, we sold the two properties that were leased to Peregrine Senior Living.
(5) Tenant has failed to remit rental payments during the year ended December 31, 2019. Properties and unit counts exclude one property held for sale.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, 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 and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2019 based on the "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

(b) 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.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

NorthStar Healthcare Income, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of NorthStar Healthcare Income, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, based on our audits and the report of the other auditors, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Healthcare GA Holdings, General Partnership ("Griffin - American"), a joint venture, which is accounted for under the equity method of accounting. The equity in its net loss was $4.5 million, $12.7 million and $6.9 million of consolidated equity in earnings (losses) of unconsolidated ventures for the years ending December 31, 2019, 2018, and 2017 respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Griffin - American, is based solely on the report of the other auditors.

Coronavirus Outbreak

We draw attention to Note 15 to the financial statements, which describes the uncertainty related to the Coronavirus Outbreak.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2010

New York, New York

March 20, 2020

Report of Independent Registered Public Accounting Firm

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the "Partnership") as of December 31, 2019, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

The accompanying other financial information, including the Healthcare GA Holdings, General Partnership Consolidated Financial Statements – Historical Basis of NorthStar Healthcare Income, Inc., have been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statements. Such information is the responsibility of the Partnership's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

New York, NY

March 20, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the Partnership) as of December 31, 2018, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

The Partnership's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Partnership has pending debt maturities in 2019 and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

The accompanying other financial information, including the Healthcare GA Holdings, General Partnership Consolidated Financial Statements - Historical Basis of NorthStar Healthcare Income, Inc., have been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statements. Such information is the responsibility of the Partnership's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

New York, New York
March 21, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the Company) as of December 31, 2017, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for each of the year ended December 31, 2017, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplementary Information

The accompanying other financial information, including the Combined Financial Statements - Contractual Basis of the Borrowers and the Healthcare GA Holdings, General Partnership Consolidated Financial Statements - Historical Basis of NorthStar Healthcare Income, Inc. have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

Los Angeles, California
March 30, 2018

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Share Data)

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 41,884	$ 73,811
Restricted cash	16,936	20,697
Operating real estate, net	1,700,218	1,778,914
Investments in unconsolidated ventures	268,894	264,319
Real estate debt investments, net	55,468	58,600
Assets held for sale	1,649	2,183
Receivables, net	13,314	14,436
Deferred costs and intangible assets, net	28,355	36,996
Other assets	14,489	14,460
Total assets[(1)]	$ 2,141,207	$ 2,264,416
Liabilities		
Mortgage and other notes payable, net	$ 1,431,922	$ 1,466,349
Due to related party	5,780	5,675
Escrow deposits payable	3,292	4,379
Distribution payable	—	5,400
Accounts payable and accrued expenses	28,135	32,405
Other liabilities	4,574	5,834
Total liabilities[(1)]	1,473,703	1,520,042
Commitments and contingencies		
Equity		
NorthStar Healthcare Income, Inc. Stockholders' Equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of December 31, 2019 and December 31, 2018	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 189,111,561 and 188,495,355 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	1,891	1,885
Additional paid-in capital	1,702,260	1,697,998
Retained earnings (accumulated deficit)	(1,041,297)	(958,924)
Accumulated other comprehensive income (loss)	(470)	(2,284)
Total NorthStar Healthcare Income, Inc. stockholders' equity	662,384	738,675
Non-controlling interests	5,120	5,699
Total equity	667,504	744,374
Total liabilities and equity	$ 2,141,207	$ 2,264,416

(1) Represents the consolidated assets and liabilities of NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which the Company is the sole general partner and owns approximately 99.99%. As of December 31, 2019, the Operating Partnership includes $0.6 billion and $0.5 billion of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 2, "Summary of Significant Accounting Policies."

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Data)

	Year Ended December 31,		
	2019	2018	2017
Property and other revenues			
Resident fee income	$ 130,135	$ 129,855	$ 127,180
Rental income	161,084	159,481	155,700
Other revenue	1,959	4,935	2,895
Total property and other revenues	293,178	294,271	285,775
Net interest income			
Interest income on debt investments	7,703	7,706	7,696
Interest income on mortgage loans held in a securitized trust	—	5,149	25,955
Interest expense on mortgage obligations issued by a securitization trust	—	(3,824)	(19,510)
Net interest income	7,703	9,031	14,141
Expenses			
Real estate properties - operating expenses	181,214	188,761	163,837
Interest expense	68,896	70,196	61,082
Other expenses related to securitization trust	—	811	3,922
Transaction costs	122	888	9,407
Asset management and other fees - related party	19,789	23,478	41,954
General and administrative expenses	12,761	14,390	13,488
Depreciation and amortization	70,989	107,133	105,459
Impairment loss	27,554	36,277	5,000
Total expenses	381,325	441,934	404,149
Other income (loss)			
Unrealized gain (loss) on mortgage loans held in securitization trust, net	—	—	1,503
Realized gain (loss) on investments and other	6,314	20,243	116
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(74,130)	(118,389)	(102,614)
Equity in earnings (losses) of unconsolidated ventures	(3,545)	(33,517)	(35,314)
Income tax benefit (expense)	(75)	(114)	(43)
Net income (loss)	(77,750)	(152,020)	(137,971)
Net (income) loss attributable to non-controlling interests	790	442	200
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (76,960)	$ (151,578)	$ (137,771)
Net income (loss) per share of common stock, basic/diluted	$ (0.41)	$ (0.81)	$ (0.74)
Weighted average number of shares of common stock outstanding, basic/diluted	189,054,270	187,501,302	186,418,183
Distributions declared per share of common stock	$ 0.03	$ 0.34	$ 0.68

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	$ (77,750)	$ (152,020)	$ (137,971)
Other comprehensive income (loss)			
Foreign currency translation adjustments related to investment in unconsolidated venture	1,814	(1,968)	872
Total other comprehensive income (loss)	1,814	(1,968)	872
Comprehensive income (loss)	(75,936)	(153,988)	(137,099)
Comprehensive (income) loss attributable to non-controlling interests	790	442	200
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (75,146)	$ (153,546)	$ (136,899)

Refer to accompanying notes to consolidated financial statements.

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, 2016	185,035	$ 1,850	$ 1,666,479	$ (480,516)	$ (1,188)	$ 1,186,625	$ 5,349	$ 1,191,974
Issuance and amortization of equity-based compensation	20	—	176	—	—	176	—	176
Non-controlling interests - contributions	—	—	—	—	—	—	2,988	2,988
Non-controlling interests - distributions	—	—	—	—	—	—	(1,839)	(1,839)
Shares redeemed for cash	(5,728)	(57)	(52,713)	—	—	(52,770)	—	(52,770)
Distributions declared	—	—	—	(125,803)	—	(125,803)	—	(125,803)
Proceeds from distribution reinvestment plan	7,382	74	67,098	—	—	67,172	—	67,172
Other comprehensive income (loss)	—	—	—	—	872	872	—	872
Net income (loss)	—	—	—	(137,771)	—	(137,771)	(200)	(137,971)
Balance as of December 31, 2017	186,709	$ 1,867	$ 1,681,040	$ (744,090)	$ (316)	$ 938,501	$ 6,298	$ 944,799
Share-based payment of advisor asset management fees	1,078	11	9,019	—	—	9,030	—	9,030
Issuance and amortization of equity-based compensation	21	—	174	—	—	174	—	174
Non-controlling interests - contributions	—	—	—	—	—	—	484	484
Non-controlling interests - distributions	—	—	—	—	—	—	(641)	(641)
Shares redeemed for cash	(3,275)	(33)	(25,874)	—	—	(25,907)	—	(25,907)
Distributions declared	—	—	—	(63,256)	—	(63,256)	—	(63,256)
Proceeds from distribution reinvestment plan	3,962	40	33,639	—	—	33,679	—	33,679
Other comprehensive income (loss)	—	—	—	—	(1,968)	(1,968)	—	(1,968)
Net income (loss)	—	—	—	(151,578)	—	(151,578)	(442)	(152,020)
Balance as of December 31, 2018	188,495	$ 1,885	$ 1,697,998	$ (958,924)	$ (2,284)	$ 738,675	$ 5,699	$ 744,374
Share-based payment of advisor asset management fees	1,408	14	9,885	—	—	9,899	—	9,899
Issuance and amortization of equity-based compensation	35	—	239	—	—	239	—	239
Non-controlling interests - contributions	—	—	—	—	—	—	505	505
Non-controlling interests - distributions	—	—	—	—	—	—	(294)	(294)
Shares redeemed for cash	(1,514)	(15)	(10,731)	—	—	(10,746)	—	(10,746)
Distributions declared	—	—	—	(5,413)	—	(5,413)	—	(5,413)
Proceeds from distribution reinvestment plan	687	7	4,869	—	—	4,876	—	4,876
Other comprehensive income (loss)	—	—	—	—	1,814	1,814	—	1,814
Net income (loss)	—	—	—	(76,960)	—	(76,960)	(790)	(77,750)
Balance as of December 31, 2019	189,111	$ 1,891	$ 1,702,260	$ (1,041,297)	$ (470)	$ 662,384	$ 5,120	$ 667,504

Refer to accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income (loss)	$ (77,750)	$ (152,020)	$ (137,971)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in (earnings) losses of unconsolidated ventures	3,545	33,517	35,314
Depreciation and amortization	70,989	107,133	105,459
Impairment loss	27,554	36,277	5,000
Amortization of below market debt	3,015	2,932	2,703
Straight-line rental income, net and amortization of lease inducements	(467)	440	(1,673)
Amortization of premium/accretion of discount on investments	(113)	(101)	(92)
Amortization of deferred financing costs	1,850	1,946	1,586
Amortization of equity-based compensation	239	174	176
Deferred income tax (benefit) expense, net	—	—	(6)
Realized (gain) loss on investments and other	(6,314)	(20,243)	(116)
Unrealized (gain) loss on senior housing mortgage loans and debt held in securitization trust, net	—	—	(1,503)
Allowance for uncollectible accounts	801	3,172	1,314
Issuance of common stock as payment for asset management fees	9,899	9,030	—
Changes in assets and liabilities:			
Receivables	691	1,219	(5,545)
Other assets	(629)	645	(3,975)
Due to related party	204	4,766	827
Escrow deposits payable	(1,087)	563	608
Accounts payable and accrued expenses	(6,454)	(2,205)	8,375
Other liabilities	(675)	741	(352)
Net cash provided by operating activities	25,298	27,986	10,129
Cash flows from investing activities:			
Acquisition of operating real estate investments	—	—	(278,959)
Capital expenditures for operating real estate investments	(22,323)	(31,212)	(20,176)
Sale of operating real estate investments	19,618	11,784	—
Sale of healthcare-related securities	—	35,771	—
Repayment of real estate debt investment	818	—	—
Investment in unconsolidated ventures	(39,801)	(4,470)	(12,956)
Sale of ownership interest in unconsolidated ventures	—	47,813	—
Distributions from unconsolidated ventures	35,922	12,672	13,466
Deferred costs and intangible assets	—	—	(19,057)
Other assets	1,479	1,590	3,288
Net cash (used in) provided by investing activities	(4,287)	73,948	(314,394)
Cash flows from financing activities:			
Borrowings from mortgage notes	12,800	—	249,091
Repayment of mortgage notes	(51,734)	(25,979)	(2,719)
Borrowings from line of credit - related party	—	—	25,000
Repayment of borrowings from line of credit - related party	—	—	(25,000)
Payment of deferred financing costs	(708)	(283)	(3,384)
Debt extinguishment costs	—	(97)	—
Payments under finance leases	(585)	(610)	—
Shares redeemed for cash	(10,746)	(25,907)	(52,770)
Distributions paid on common stock	(10,813)	(68,560)	(125,678)
Proceeds from distribution reinvestment plan	4,876	33,679	67,172
Contributions from non-controlling interests	505	484	2,988
Distributions to non-controlling interests	(294)	(641)	(1,839)
Net cash (used in) provided by financing activities	(56,699)	(87,914)	132,861
Net (decrease) increase in cash, cash equivalents and restricted cash	(35,688)	14,020	(171,404)
Cash, cash equivalents and restricted cash-beginning of period	94,508	80,488	251,892
Cash, cash equivalents and restricted cash-end of period	$ 58,820	$ 94,508	$ 80,488

Refer to accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2019	2018	2017
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 64,163	$ 64,568	$ 55,830
Cash paid for income taxes	28	187	54
Supplemental disclosure of non-cash investing and financing activities:			
Accrued distribution payable	$ —	$ 5,400	$ 10,704
Accrued capital expenditures	2,378	1,456	—
Reclassification of assets held for sale	—	2,183	—
Deconsolidation of securitization trust (VIE asset/liability)	—	512,772	—
Acquisition of operating real estate under capital lease obligations	—	2,108	—
Assumption of mortgage notes payable upon acquisitions of operating real estate	—	—	21,685
Change in carrying value of securitization trust (VIE asset/liability)	—	—	10,162
Debt financing provided by seller for investment acquisition	—	—	15,855
Contingent purchase price payable upon acquisition of operating real estate	—	—	1,800

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries (the "Company"), was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, which the Company defines as assisted living ("ALF"), memory care ("MCF"), skilled nursing ("SNF"), independent living ("ILF") facilities and continuing care retirement communities ("CCRC"), which may have independent living, assisted living, skilled nursing and memory care available on one campus. The Company also invests in other healthcare property types, including medical office buildings ("MOB"), hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company's investments are predominantly in the United States, but it also selectively makes international investments.

The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a 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 conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

Substantially all of the Company's business is conducted through NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. The limited partners of the Operating Partnership are NorthStar Healthcare Income Advisor, LLC (the "Prior Advisor") and NorthStar Healthcare Income OP Holdings, LLC (the "Special Unit Holder"), each an affiliate of the Company's sponsor. The Prior Advisor invested $1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested $1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the "Special Units"), which are collectively recorded as non-controlling interests on the accompanying consolidated balance sheets as of December 31, 2019 and December 31, 2018. 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 December 31, 2019, the Company's limited partnership interest in the Operating Partnership was 99.99%.

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

The Company completed its initial public offering (the "Initial Offering") on February 2, 2015 by raising gross proceeds of $1.1 billion, including 108.6 million shares issued in its initial primary offering (the "Initial Primary Offering") and 2.0 million shares issued pursuant to its distribution reinvestment plan (the "DRP"). In addition, the Company completed its follow-on offering (the "Follow-On Offering") on January 19, 2016 by raising gross proceeds of $700.0 million, including 64.9 million shares issued in its follow-on primary offering (the "Follow-on Primary Offering") and 4.2 million shares issued pursuant to the DRP. The Company refers to its Initial Primary Offering and its Follow-on Primary Offering collectively as the "Primary Offering" and its Initial Offering and Follow-On Offering collectively as the "Offering." In December 2015, the Company registered an additional 30.0 million shares to be offered pursuant to the DRP. From inception through March 19, 2020, the Company raised total gross proceeds of $2.0 billion, including $232.6 million in DRP proceeds.

The Company is externally managed and has no employees. The Company is sponsored by Colony Capital, Inc. (NYSE: CLNY) ("Colony Capital" or the "Sponsor"), which was formed as a result of the mergers of NorthStar Asset Management Group Inc. ("NSAM"), its prior sponsor, with Colony Capital, Inc. ("Colony") and NorthStar Realty Finance Corp. ("NorthStar Realty") in January 2017. Effective June 25, 2018, the Sponsor changed its name from Colony NorthStar, Inc. to Colony Capital, Inc. and its ticker symbol from "CLNS" to "CLNY." Following the mergers, the Sponsor became an internally-managed equity REIT, with a diversified real estate and investment management platform.

Colony Capital manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies. The Company's advisor, CNI NSHC Advisors, LLC (the "Advisor"), is a subsidiary of Colony Capital and manages its day-to-day operations pursuant to an advisory agreement.

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").

Reclassifications

Certain prior period amounts have been reclassified on the consolidated statements of cash flows from the supplemental disclosure of non-cash investing and financing activities to adjustments to reconcile net income (loss) to net cash provided by operating activities to conform to current period presentation.

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. Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

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

As of December 31, 2019, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the Operating Partnership, may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

Consolidated VIEs

The most significant consolidated VIEs are the Operating Partnership and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights. The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company's consolidated balance sheets as of December 31, 2019 is $585.4 million related to such consolidated VIEs. Included in mortgage and other notes payable, net on the Company's consolidated balance sheet as of December 31, 2019 is $462.5 million, collateralized by the real estate assets of the related consolidated VIEs.

Investing VIEs

The Company's investment in a securitization financing entity ("Investing VIE") consisted of subordinate first-loss certificates in a securitization trust, generally referred to as Class B certificates, which represents interests in such VIE. Investing VIEs are structured as pass through entities that receive principal and interest payments from the underlying debt collateral assets and distribute those payments to the securitization trust's certificate holders, including the Class B certificates. A securitization trust

will name a directing certificate holder, who is generally afforded the unilateral right to terminate and appoint a replacement for the special servicer, and as such may qualify as the primary beneficiary of the trust.

The Company held Class B certificates in an Investing VIE for which the Company had determined it was the primary beneficiary because it had the power to direct the activities that most significantly impacted the economic performance of the securitization trust. As a result, all of the assets, liabilities (obligations to the certificate holders of the securitization trust, less the Company's retained interest from the Class B certificates of the securitization), income and expense of the entire Investing VIE were presented in the consolidated financial statements of the Company as required by U.S. GAAP. The Company's Class B certificates, which represented the retained interest and related interest income, were eliminated in consolidation. Regardless of the presentation, the Company's consolidated financial statements of operations ultimately reflect the net income attributable to its retained interest in the Class B certificates.

In March 2018, the Company sold the Class B certificates of its consolidated Investing VIE, relinquishing its rights as directing certificate holder. As a result, the Company was no longer deemed the primary beneficiary of the securitization trust and, accordingly, did not present the assets or liabilities of the securitization trust on its consolidated balance sheets as of December 31, 2019 and December 31, 2018. The Company has presented the income and expenses of the securitization trust on its consolidated statements of operations for the periods that the Company owned the Class B certificates and was considered the primary beneficiary in 2018.

Unconsolidated VIEs

As of December 31, 2019, the Company identified unconsolidated VIEs related to its real estate equity investments with a carrying value of $268.9 million. The Company's maximum exposure to loss as of December 31, 2019 would not exceed the carrying value of its investment in the VIEs and its investment in a mezzanine loan to a subsidiary of one of the VIEs. Based on management's analysis, the Company determined that it is not the primary beneficiary of these VIEs and, accordingly, they are not consolidated in the Company's financial statements as of December 31, 2019. The Company did not provide financial support to its unconsolidated VIEs during the year ended December 31, 2019, except for funding its proportionate share of capital call contributions. As of December 31, 2019, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to its unconsolidated VIEs.

Voting Interest Entities

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

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

Investments in Unconsolidated Ventures

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

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

Non-controlling Interests

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

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates and assumptions.

Comprehensive Income (Loss)

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

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

The Company elected the fair value option to account for the eligible financial assets and liabilities of its consolidated Investing VIEs in order to mitigate potential accounting mismatches between the carrying value of the instruments and the related assets and liabilities to be consolidated. The Company adopted guidance issued by the Financial Accounting Standards Board ("FASB") allowing the Company to measure both the financial assets and liabilities of a qualifying collateralized financing entity ("CFE") it consolidated using the fair value of either the CFE's financial assets or financial liabilities, whichever is more observable.

Cash, Cash Equivalents and Restricted Cash

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

Restricted cash consists of amounts related to loan origination (escrow deposits) and operating real estate (escrows for taxes, insurance, capital expenditures, security deposits received from tenants and payments required under certain lease agreements).

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):

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents	$ 41,884	$ 73,811	$ 50,046
Restricted cash	16,936	20,697	30,442
Total cash, cash equivalents and restricted cash	$ 58,820	$ 94,508	$ 80,488

Operating Real Estate

The Company evaluates whether a real estate acquisition constitutes a business and whether business combination accounting is appropriate. The Company accounts for purchases of operating real estate that qualify as business combinations using the acquisition method, where the purchase price is allocated to tangible assets such as land, building, furniture, fixtures, and equipment, improvements and other identified intangibles such as in-place leases, goodwill and above or below market mortgages assumed,

as applicable. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations.

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 carried at historical cost less accumulated depreciation. Operating real estate is depreciated using the straight-line method over the estimated useful life of the assets, summarized as follows:

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

Construction costs incurred in connection with the Company's investments are capitalized and included in operating real estate, net on the consolidated balance sheets. Construction in progress is not depreciated until the development is substantially completed.

In a situation in which a net lease(s) associated with a significant tenant has been, or is expected to be, terminated early, the Company evaluates the remaining useful life of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above- and below-market lease intangibles, in-place lease value and deferred leasing costs). Based upon consideration of the facts and circumstances surrounding the termination, the Company may write-off or accelerate the depreciation and amortization associated with the asset group. Such amounts are included within rental and other income for above- and below-market lease intangibles and depreciation and amortization for the remaining lease related asset groups in the consolidated statements of operations.

When the Company acquires a controlling interest in an existing unconsolidated joint venture, the Company records the consolidated investment at the updated purchase price, which is reflective of fair value. The difference between the carrying value of the Company's investment in the existing unconsolidated joint venture on the acquisition date and the Company's share of the fair value of the investment's purchase price is recorded in gain (loss) on consolidation of unconsolidated venture in the Company's consolidated statements of operations.

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 totaling $3.4 million, which is included in furniture, fixtures, and equipment within operating real estate, net on the Company's consolidated balance sheets. The leased equipment is amortized on a straight-line basis.

For the years ended December 31, 2019 and 2018, payments for finance leases totaled $0.7 million, respectively. The following table presents the future minimum lease payments under finance leases and the present value of the minimum lease payments as of December 31, 2019, which is included in other liabilities on the Company's consolidated balance sheets (dollars in thousands):

Years Ending December 31:		
2020	$	686
2021		646
2022		554
2023		133
2024		40
Thereafter		—
Total minimum lease payments	$	2,059
Less: Amount representing interest	$	(189)
Present value of minimum lease payments	$	1,870

The weighted average interest rate related to the finance lease obligations is 6.0% with a weighted average lease term of 3.1 years.

As of December 31, 2019, there were no leases that had yet to commence which would create significant rights and obligations to the Company as lessee.

Assets Held For Sale

The Company classifies certain long-lived assets as held for sale once the criteria, as defined by U.S. GAAP, have been met and are expected to sell within one year. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell, with any write-down recorded to impairment loss on the consolidated statements of operations. Depreciation and amortization is not recorded for assets classified as held for sale. As of December 31, 2019 and 2018, the Company classified one operating real estate property within the Peregrine portfolio as held for sale, as presented on its consolidated balance sheets.

In May 2019, the Company completed the sale of two properties within the Peregrine portfolio for a sales price totaling $19.7 million. These properties had been reclassified as held for sale in 2019.

Real Estate Debt Investments

Real estate debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium, discount and unfunded commitments. Debt investments that are deemed to be impaired record an allowance for loan losses, which is generally measured as the difference between the carrying value of the loan and either the present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan, or an observable market price for the loan. Debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated fair value.

Deferred Costs and Intangible Assets

Deferred Costs

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

Identified Intangibles

The Company records acquired identified intangibles, which includes intangible assets (such as the value of the above-market leases, in-place leases, goodwill and other intangibles) and intangible liabilities (such as the value of below-market leases), based on estimated fair value at the acquisition date. The value allocated to the identified intangibles are amortized over the remaining lease term. Above/below-market leases for which the Company is the lessor are amortized into rental income, above/below-market leases for which the Company is the lessee are amortized into real estate properties-operating expense and 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 "—Credit Losses and Impairment on Investments - Operating Real Estate" for additional information.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination and is not amortized. The Company performs an annual impairment test for goodwill and evaluates the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. In making such assessment, qualitative factors are used to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the estimated fair value of the reporting unit is less than its carrying value, then an impairment charge is recorded.

Identified intangible assets are recorded in deferred costs and intangible assets, net on the consolidated balance sheets. The following table presents a summary of deferred costs and intangible assets, net as of December 31, 2019 and 2018 (dollars in thousands):

	December 31, 2019	December 31, 2018
Deferred costs and intangible assets, net:		
In-place lease value, net	$ 6,437	$ 14,559
Goodwill	21,387	21,387
Other intangible assets	380	380
Subtotal intangible assets	28,204	36,326
Deferred costs, net	151	670
Total	$ 28,355	$ 36,996

The Company recorded $8.3 million and $47.3 million of in-place lease and deferred cost amortization expense for the years ended December 31, 2019 and 2018, respectively.

In-place lease value, net includes a gross asset amount of $130.0 million for in-place leases related to the Company's direct investment - net lease properties, of which $123.6 million has been amortized as of December 31, 2019. All other in-place leases related to the Company's direct investment - operating properties have been fully amortized as of December 31, 2019.

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

Years Ending December 31:	
2020	$ 1,871
2021	1,871
2022	594
2023	337
2024	337
Thereafter	1,578
Total	$ 6,588

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the Company's directors, including a majority of its independent directors. Effective January 1, 2018, the Advisor no longer receives an acquisition fee in connection with the Company's acquisitions of real estate properties or debt investments. For the year ended December 31, 2019, the Company did not incur any acquisition fees or expenses to the Advisor or third parties. The Company records as an expense for certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

Other Assets

The following table presents a summary of other assets as of December 31, 2019 and 2018 (dollars in thousands):

	December 31, 2019	December 31, 2018
Other assets:		
Healthcare facility regulatory reserve deposit	$ 6,000	$ 6,000
Remainder interest in condominium units[1]	2,327	3,025
Prepaid expenses	3,841	3,536
Lease / rent inducements, net	1,636	1,254
Utility deposits	317	325
Other	368	320
Total	$ 14,489	$ 14,460

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

Revenue Recognition

Operating Real Estate

Rental income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators, including rent received from the Company's net lease properties and rent, ancillary service fees and other related revenue earned from ILF residents. Rental revenue recognition commences when the tenant takes legal possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. ILF resident agreements are generally short-term in nature and may allow for termination with 30 days notice. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in receivables, net on the consolidated balance sheets. The Company amortizes any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the lease.

The Company also generates operating income 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. Income derived from our ALFs, MCFs and CCRCs is recorded in resident fee income in the consolidated statements of operations.

Lease income from tenants, operators, residents is recognized at lease commencement only to the extent collection is expected to be probable in consideration of tenants', operators', residents' creditworthiness. If collection is assessed to not be probable thereafter, lease income recognized is limited to lease payments collected, with the reversal of any income recognized to date in excess of amounts received. If collection is subsequently reassessed to be probable, lease income is adjusted to reflect the amount of income that would have been recognized had collection always been assessed as probable. During the year ended December 31, 2019, the tenant of the Peregrine portfolio failed to remit rental payments and accordingly no rental income was recognized. Further, the Company continues to monitor the tenant for the Arbors portfolio, which is currently in lease default as a result of failing to remit rent timely. As of December 31, 2019, the Company expects rent collection to be probable for the Arbors portfolio.

For the years ended December 31, 2019 and 2018, total property and other revenues includes variable lease revenues of $16.2 million and $13.6 million, respectively. Variable lease income includes ancillary services provided to tenant/residents, as well as non-recurring services and fees at the Company's operating facilities.

Real Estate Debt Investments

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

Healthcare-Related Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Generally, the carrying value of the Company's investments represent depreciated historical cost bases or, for investments that have been previously impaired, fair value or net realizable value. Such amounts are based upon the Company's reasonable assumptions about the highest and best use of the investments and the intent and ability to hold the investments for a reasonable period that would allow for the recovery of the investments' carrying values. If such assumptions change, including shortening the expected hold period, impairment losses on investments may be required to adjust carrying values to fair value or fair value less costs to sell.

Operating Real Estate

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

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

During the year ended December 31, 2019, the Company recorded impairment losses totaling $27.6 million for operating real estate and held for sale investments with continuing poor performance and sustained declines in occupancy. Impairment losses include:

- Rochester portfolio: recorded impairment for two facilities totaling $19.5 million.
- Kansas City portfolio: recorded impairment for two facilities totaling $3.9 million.
- Peregrine portfolio: recorded impairment for two facilities totaling $4.1 million. One of the properties was reclassified as held for sale during year ended December 31, 2018.

Refer to Note 3, "Operating Real Estate" for additional information regarding impairment of operating real estate.

Real Estate Debt Investments

Real estate debt investments are considered impaired when, based on current information and events, it is probable that the Company will not be able to collect all principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the investment as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the consolidated balance sheets date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the investment, a reserve is recorded with a corresponding charge to a credit provision. The reserve for each investment is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for an investment at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired investment is in doubt, all payments are applied to principal under the cost recovery method. When the

ultimate collectability of the principal of an impaired investment is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the investment becomes contractually current and performance is demonstrated to be resumed. Interest accrued and not collected will be reversed against interest income. An investment is written off when it is no longer realizable and/or legally discharged. As of December 31, 2019, the Company did not have any impaired real estate debt investments.

Investments in Unconsolidated Ventures

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

During the year ended December 31, 2019, the Company did not impair any of its investments in unconsolidated ventures, however, the underlying ventures have recorded impairments and reserves on properties in their respective portfolios, which the Company has recognized through equity in earnings (losses). Significant impairment and reserves recorded by the unconsolidated ventures during the year ended December 31, 2019 include:

- Griffin-American Joint Venture. Impairment losses for operating real estate and held for sale assets, of which the Company's proportionate share totaled $1.9 million.
- Eclipse Joint Venture. Impairment losses for a net lease SNF, of which the Company's proportionate share totaled $0.2 million.
- Espresso Joint Venture. Impairment losses for a net lease SNF, of which the Company's proportionate share totaled $0.5 million.

Foreign Currency

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

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

As of December 31, 2019 and December 31, 2018, the Company had exposure to foreign currency through an investment in an unconsolidated venture, the effects of which are reflected as a component of accumulated OCI in the consolidated statements of equity and in equity in earnings (losses) in the consolidated statements of operations.

Equity-Based Compensation

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

Income Taxes

The Company elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code beginning in its taxable year ended December 31, 2013. Accordingly, the Company will generally not be subject to U.S. federal income tax to the extent of its distributions to stockholders as long as certain asset, gross income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute dividends equal to at least 90.0% of its REIT taxable income (with certain adjustments) to its stockholders and meet certain other requirements. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these

criteria will continue to be met in subsequent periods. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has assessed its tax positions for all open tax years, which include 2016 to 2019, and concluded there were no material uncertainties to be recognized.

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

The Company made a joint election to treat certain subsidiaries as taxable REIT subsidiaries ("TRS") which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform services for tenants/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, state and foreign authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are provided on the portion of earnings (losses) recognized by the Company with respect to its interest in the TRS. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal and state income tax basis of assets and liabilities as of the consolidated balance sheets date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in provision for income tax benefit (expense) in the consolidated statements of operations. The Company has a deferred tax asset, which as of December 31, 2019 totaled $13.2 million and continues to have a full valuation allowance recognized, as there are no changes in the facts and circumstances to indicate that the Company should release the valuation allowance.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effects of the tax rate change did not have a material impact on the Company's existing deferred tax balances.

The Company recorded an income tax expense of approximately $75,000, $114,000 and $43,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2019

Leases—In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which amended existing lease accounting standards. ASU 2016-02, along with several clarifying amendments were codified in Accounting Standards Codification ("ASC") Topic 842. The new standard primarily requires lessees to recognize their rights and obligations under most leases on balance sheet, to be capitalized as an ROU asset and a corresponding liability for future lease obligations. Targeted changes were made to lessor accounting, primarily to align to the lessee model and the new revenue recognition standard.

ASC 842 also narrows the definition of initial direct costs to only the incremental costs of obtaining a lease, such as leasing commissions, for both lessee and lessor accounting. Indirect costs such as allocated overhead, certain legal fees and negotiation costs are no longer capitalized under the new standard. The application of ASC 842 did not have a material impact on the consolidated statements of operations.

The Company adopted the new lease standard and related amendments on January 1, 2019 using the modified retrospective method to leases existing or commencing on or after January 1, 2019. Comparative periods presented have not been restated and continue to be reported under the standards in effect for those prior periods.

The Company applied the package of practical expedients, which exempts the Company from having to reassess whether any expired or expiring contracts contain leases, revisit lease classification for any expired or expiring leases and reassess initial direct costs for any existing leases. The Company also elected the practical expedient related to land easements, allowing us to carry forward the accounting treatment for land easements on existing agreements. The Company did not, however, elect the hindsight practical expedient to determine the lease terms for existing leases.

Lease Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. A leasing arrangement is classified by the lessee as either a finance lease, which represents a financed purchased asset of the leased asset, or an operating lease. The Company has elected the accounting policy to combine lease and nonlease components in these contracts as a single lease component in its lease contracts.

The Company made the accounting policy election to recognize lease payments on short-term leases on a straight-line basis over the lease term and will not record these leases on the balance sheet. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Lease renewal or termination options are factored into the lease asset and lease liability only if it is reasonably certain that the option to extend or option to terminate would be exercised.

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.

The Company reclassified its capital lease assets to ROU-finance assets, within operating real estate, net, as of January 1, 2019, which had no material impact to the Company's consolidated financial statements and related disclosures. There was no impact to beginning equity as a result of adoption related to lessee accounting.

Lessor Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. The Company has operating leases with property tenants that expire at various dates with renewal options typically exercised at the lessee's election. Therefore, such options are only recognized once they are deemed reasonably certain, typically at the time the option is exercised.

As lessor, the Company made the accounting policy election to treat the lease and nonlease components in a contract as a single component to the extent that the timing and pattern of transfer are similar for the lease and nonlease components and the lease component qualifies as an operating lease. The services provided by the Company under the nonlease components of tenant reimbursements for net leases and resident fee income qualify for the practical expedient to be combined with their respective lease component and accounted for as a single component under the lease standard as the lease component is predominant.

Under ASC 842, lessors are required to evaluate collectability of all lease payments based upon the creditworthiness of the lessee. Rental and resident fee income is recognized only to the extent collection is determined to be probable. If collection is subsequently determined to no longer be probable, any previously accrued revenue that has not been collected is subject to reversal. If collection is subsequently determined to be probable, revenue and the corresponding receivable would be reestablished to an amount that would have been recognized if collection had always been deemed to be probable. The initial application of the collectability guidance did not have a material impact on the Company's consolidated financial statements.

Goodwill Impairment—In January 2017, the FASB issued ASU No. 2017-04, *Intangibles- Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* which removes Step 2 from the goodwill impairment test that requires a hypothetical purchase price allocation. Goodwill impairment is now measured as the excess in carrying value over fair value of the reporting unit, with the loss recognized not to exceed the amount of goodwill assigned to that reporting unit. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, to be applied prospectively. Early adoption is permitted as of the first interim or annual impairment test of goodwill after January 1, 2017. The Company adopted the standard on January 1, 2019. This guidance did not have a material impact on its consolidated financial statements and related disclosures.

Future Application of Accounting Standards

Credit Losses—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments- Credit Losses*, which amends the credit impairment model for financial instruments. The existing incurred loss model will be replaced with a lifetime current expected credit loss ("CECL") model for financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in leases, reinsurance and trade receivables, which will generally result in earlier recognition of allowance for credit losses. For available-for-sale

("AFS") debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the other than temporary impairment concept will result in more frequent estimation of credit losses. The accounting model for purchased credit impaired loans and debt securities will be simplified, including elimination of some of the asymmetrical treatment between credit losses and credit recoveries, to be consistent with the CECL model for originated and purchased non-credit impaired assets. The existing model for beneficial interests that are not of high credit quality will be amended to conform to the new impairment models for HTM and AFS debt securities. Expanded disclosures on credit risk include credit quality indicators by vintage for financing receivables and net investment in leases.

ASU No. 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. The Company has identified its mezzanine loan debt investment to be within the scope of ASU No. 2016-13. The Company has developed the policies, systems and controls that will be required for the implementation and ongoing management of CECL. ASU 2016-13 specifies that an allowance for loan losses should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. Based on its analysis, the Company does not expect to record any additional allowance for its mezzanine loan upon the adoption of this standard.

Variable Interest Entities—In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align the evaluation of a decision maker's or service provider's fee in assessing a variable interest with the guidance in the primary beneficiary test. Specifically, indirect interests held by a related party that is under common control will now be considered on a proportionate basis, rather than in their entirety, when assessing whether the fee qualifies as a variable interest. The proportionate basis approach is consistent with the treatment of indirect interests held by a related party under common control when evaluating the primary beneficiary of a VIE. This effectively means that when a decision maker or service provider has an interest in a related party, regardless of whether they are under common control, it will consider that related party's interest in a VIE on a proportionate basis throughout the VIE model, for both the assessment of a variable interest and the determination of a primary beneficiary. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. ASU No. 2018-17 is effective for fiscal years and interim periods beginning after December 15, 2019, with early adoption permitted in an interim period for which financial statements have not been issued. The Company is currently evaluating the impact of this new guidance but does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

Income Tax Accounting—In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The ASU simplifies accounting for income taxes by eliminating certain exceptions to the general approach in ASC 740, Income Taxes, and clarifies certain aspects of the guidance for more consistent application. The simplifications relate to intraperiod tax allocations when there is a loss in continuing operations and a gain outside of continuing operations, accounting for tax law or tax rate changes and year-to-date losses in interim periods, recognition of deferred tax liability for outside basis difference when investment ownership changes, and accounting for franchise taxes that are partially based on income. The ASU also provides new guidance that clarifies the accounting for transactions resulting in a step-up in tax basis of goodwill, among other changes. Transition is generally prospective, other than the provision related to outside basis difference which is on a modified retrospective basis with cumulative effect adjusted to retained earnings at the beginning of the period adopted, and franchise tax provision which is on either full or modified retrospective. ASU No. 2019-12 is effective January 1, 2021, with early adoption permitted in an interim period, to be applied to all provisions. The Company is currently evaluating the impact of this new guidance.

Accounting for Certain Equity Investments—In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions* between Topic 321, Topic 323, and Topic 815. The ASU clarifies that if as a result of an observable transaction, an equity investment under the measurement alternative is transitioned into equity method and vice versa, an equity method investment is transitioned into measurement alternative, the investment is to be remeasured immediately before and after the transaction, respectively. The ASU also clarifies that certain forward contracts or purchased options to acquire equity securities that are not deemed to be derivatives or in-substance common stock will generally be measured using the fair value principles of ASC 321 before settlement or exercise, and that an entity should not be considering how it will account for the resulting investments upon eventual settlement or exercise. ASU No. 2020-01 is to be applied prospectively, effective January 1, 2021, with early adoption permitted in an interim period. The Company is currently evaluating the impact of this new guidance.

3. Operating Real Estate

The following table presents operating real estate, net as of December 31, 2019 and 2018 (dollars in thousands):

	December 31, 2019	December 31, 2018
Land	$ 236,036	$ 236,736
Land improvements	23,287	22,453
Buildings and improvements	1,551,113	1,580,058
Tenant improvements	14,642	11,774
Construction in progress	4,956	5,605
Furniture, fixtures and equipment	100,998	93,371
Subtotal	$ 1,931,032	$ 1,949,997
Less: Accumulated depreciation	(230,814)	(171,083)
Operating real estate, net	$ 1,700,218	$ 1,778,914

For the years ended December 31, 2019, 2018 and 2017, depreciation expense was $62.8 million, $60.0 million and $53.8 million, respectively.

Within the table above, buildings and improvements have been reduced by impairment totaling $58.0 million and $31.0 million as of December 31, 2019 and 2018, respectively. Impairment loss, as presented on the consolidated statements of operations, totaled $27.6 million and $36.3 million for the years ended December 31, 2019 and 2018, respectively. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion.

Future Minimum Rental Income

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. The following table presents approximate future minimum rental income under noncancelable operating leases to be received over the next five years and thereafter as of December 31, 2019 (dollars in thousands):

Years Ending December 31:[1]	
2020	$ 33,308
2021	34,141
2022	14,652
2023	10,919
2024	11,192
Thereafter	57,076
Total	$ 161,288

(1) Excludes rental income from residents at ILFs that are subject to short-term leases.

Net lease rental properties owned as of December 31, 2019 are leased under noncancelable operating leases with current expirations ranging from 2022 to 2029, with certain tenant renewal rights. These net lease arrangements require the tenant to pay rent and substantially all the expenses of the leased property including maintenance, taxes, utilities and insurance. For certain properties, the tenants pay the Company, in addition to the contractual base rent, their pro rata share of real estate taxes and operating expenses. The Company's net lease agreements provide for periodic rental increases based on the greater of certain percentages or increase in the consumer price index.

Dispositions

In May 2019, the Company completed the sale of two properties within the Peregrine portfolio for $19.7 million. The sale generated net proceeds of $3.3 million after the repayment of the outstanding mortgage principal balance of $16.4 million and transaction costs.

4. Investments in Unconsolidated Ventures

All investments in unconsolidated ventures are accounted for under the equity method. The following tables present the Company's investments in unconsolidated ventures as of December 31, 2019 and 2018 and activity for the years ended December 31, 2019 and 2018 (dollars in thousands):

			Carrying Value	
Portfolio	Acquisition Date	Ownership	December 31, 2019[1]	December 31, 2018[1]
Eclipse	May-2014	5.6%	$ 9,483	$ 11,765
Envoy[2]	Sep-2014	11.4%	399	4,717
Griffin-American	Dec-2014	14.3%	125,597	113,982
Espresso[3]	Jul-2015	36.7%	—	—
Trilogy[4]	Dec-2015	23.2%	133,361	133,764
Subtotal			$ 268,840	$ 264,228
Operator Platform[5]	Jul-2017	20.0%	54	91
Total			$ 268,894	$ 264,319

(1) Includes $1.3 million, $13.4 million, $7.6 million, and $9.8 million of capitalized acquisition costs for the Company's investments in the Eclipse, Griffin-American, Espresso and Trilogy joint ventures, respectively.
(2) In March 2019, the Envoy joint venture completed the sale of its remaining 11 properties for a sales price of $118.0 million, which generated net proceeds to the Company totaling $4.3 million.
(3) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. The Company has recorded the excess equity in losses related to its unconsolidated venture as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture.
(4) In October 2018, the Company sold 20.0% of its ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced the Company's ownership interest in the joint venture from approximately 29% to 23%.
(5) Represents investment in Solstice Senior Living, LLC ("Solstice"). In November 2017, the Company began the transition of operations of the Winterfell portfolio from the former manager, an affiliate of Holiday Retirement, to a new manager, Solstice, 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%.

	Year Ended December 31, 2019			Year Ended December 31, 2018		
Portfolio	Equity in Earnings (Losses)	Select Revenues and (Expenses), net[1]	Cash Distributions	Equity in Earnings (Losses)	Select Revenues and (Expenses), net[1]	Cash Distributions
Eclipse[2]	$ 435	$ (987)	$ 2,717	$ (624)	$ (2,280)	$ 754
Envoy	20	(892)	4,339	(37)	(301)	283
Griffin - American[3]	(4,540)	(16,359)	23,061	(12,717)	(24,780)	5,553
Espresso	(2,426)	(8,530)	—	(21,460)	(26,906)	—
Trilogy	3,003	(13,797)	5,805	1,153	(14,810)	5,977
Subtotal	$ (3,508)	$ (40,565)	$ 35,922	$ (33,685)	$ (69,077)	$ 12,567
Operator Platform[4]	(37)	—	—	168	—	107
Total	$ (3,545)	$ (40,565)	$ 35,922	$ (33,517)	$ (69,077)	$ 12,674

(1) Represents the net amount of the Company's proportionate share of select revenues and expenses, including: straight-line rental income (expense), (above)/below market lease and in-place lease amortization, (above)/below market debt and deferred financing costs amortization, depreciation and amortization expense, acquisition fees and transaction costs, loan loss reserves, liability extinguishment gains, debt extinguishment losses, impairment, as well as unrealized and realized gain (loss) from sales of real estate and investments.
(2) Equity in earnings for the year ended December 31, 2019 includes a gain on the sale of nine properties within the portfolio. The Company's proportionate share of the net proceeds generated from the sale totaled approximately $2.1 million.
(3) Equity in losses for the year ended December 31, 2019 includes a gain on the sale of three properties within the portfolio. The Company's proportionate share of the net proceeds generated from the sale totaled approximately $16.9 million.
(4) Represents the Company's investment in Solstice.

Summarized Financial Data

The combined balance sheets as of December 31, 2019 and 2018 and combined statements of operations for the years ended December 31, 2019, 2018 and 2017 for the Company's unconsolidated ventures are as follows (dollars in thousands):

	December 31, 2019	December 31, 2018
Assets		
Operating real estate, net	$ 4,821,757	$ 5,016,977
Other assets	1,199,552	1,003,614
Total assets	$ 6,021,309	$ 6,020,591
Liabilities and equity		
Total liabilities	$ 4,578,905	$ 4,565,451
Equity	1,442,404	1,455,140
Total liabilities and equity	$ 6,021,309	$ 6,020,591

	Year Ended December 31,		
	2019	2018	2017
Total revenues	$ 1,575,774	$ 1,514,098	$ 1,457,208
Net income (loss)	$ (17,689)	$ (150,170)	$ (158,445)

5. Real Estate Debt Investments

The following table presents the Company's one debt investment as of December 31, 2019 and December 31, 2018 (dollars in thousands):

		Carrying Value[2]			
Asset Type:	Principal Amount	December 31, 2019	December 31, 2018	Fixed Rate	Unlevered Current Yield
Mezzanine loan[1]	$ 74,182	$ 55,468	$ 58,600	10.0%	10.3%

(1) Loan has a final maturity date of January 30, 2021.
(2) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. The Company has recorded the excess equity in losses related to its unconsolidated investment as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture. As of December 31, 2019 and December 31, 2018, the cumulative excess equity in losses included in the mezzanine loan carrying value were $18.6 million and $16.2 million, respectively.

Credit Quality Monitoring

The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity. The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as "performing." The Company will categorize a weaker credit quality debt investment that is currently performing, but for which it believes future collection of all or some portion of principal and interest is in doubt, into a category called "performing with a loan loss reserve." The Company will categorize a weaker credit quality debt investment that is not performing, which the Company defines as a loan in maturity default and/or past due at least 90 days on its contractual debt service payments, as a non-performing loan ("NPL"). The Company's definition of an NPL may differ from that of other companies that track NPLs.

As of December 31, 2019, the Company's debt investment was performing in accordance with the contractual terms of its governing documents. Although various defaults under leases and senior secured loans existed as of December 31, 2019, none of these defaults resulted in a default under the Company's debt investment as of December 31, 2019. The Company continues to assess the collectability of principal and interest. As of December 31, 2019, contractual debt service has been paid in accordance with contractual terms and the Company expects to receive full payment of contractual principal and interest. Accordingly, the debt investment was categorized as a performing loan.

For the year ended December 31, 2019, the debt investment contributed 100.0% of the Company's interest income on debt investments as presented on the consolidated statements of operations.

6. Borrowings

The following table presents the Company's borrowings as of December 31, 2019 and 2018 (dollars in thousands):

				December 31, 2019		December 31, 2018	
	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate[1]	Principal Amount[2]	Carrying Value[2]	Principal Amount[2]	Carrying Value[2]
Mortgage notes payable, net							
Peregrine Portfolio[3]							
Various locations	Non-recourse	Dec 2019	LIBOR + 3.50%	$ —	$ —	$ 16,545	$ 16,277
Watermark Aqua Portfolio							
Denver, CO	Non-recourse	Feb 2021	LIBOR + 2.92%	20,547	20,500	20,866	20,774
Frisco, TX	Non-recourse	Mar 2021	LIBOR + 3.04%	19,170	19,127	19,460	19,377
Milford, OH	Non-recourse	Sep 2026	LIBOR + 2.68%	18,760	18,357	18,760	18,288
Rochester Portfolio							
Rochester, NY	Non-recourse	Feb 2025	4.25%	20,228	20,131	20,849	20,734
Rochester, NY[4]	Non-recourse	Aug 2027	LIBOR + 2.34%	101,224	100,267	101,224	100,162
Rochester, NY[5]	Non-recourse	Aug 2021	LIBOR + 2.90%	12,800	12,232	—	—
Arbors Portfolio[6]							
Various locations	Non-recourse	Feb 2025	3.99%	89,026	88,020	90,751	89,508
Watermark Fountains Portfolio[7]							
Various locations	Non-recourse	Jun 2022	3.92%	392,269	390,508	399,023	396,421
Various locations	Non-recourse	Jun 2022	5.56%	74,208	73,750	75,401	74,776
Winterfell Portfolio[8]							
Various locations	Non-recourse	Jun 2025	4.17%	632,024	614,415	642,954	622,329
Avamere Portfolio[9]							
Various locations	Non-recourse	Feb 2027	4.66%	71,464	70,922	72,466	71,848
Subtotal mortgage notes payable, net				$ 1,451,720	$ 1,428,229	$ 1,478,299	$ 1,450,494
Other notes payable							
Oak Cottage							
Santa Barbara, CA	Non-recourse	Feb 2022	6.00%	3,693	3,693	3,500	3,500
Rochester Portfolio							
Rochester, NY[5]	Non-recourse	Aug 2019	6.00%	—	—	12,355	12,355
Subtotal other notes payable, net				$ 3,693	$ 3,693	$ 15,855	$ 15,855
Total mortgage and other notes payable, net				$ 1,455,413	$ 1,431,922	$ 1,494,154	$ 1,466,349

(1) Floating rate borrowings are comprised of $172.5 million principal amount at one-month London Interbank Offered Rate ("LIBOR").
(2) The difference between principal amount and carrying value of mortgage notes payable is attributable to deferred financing costs, net for all borrowings other than the Winterfell portfolio which is attributable to below market debt intangibles.
(3) Mortgage note arrangement was secured and collateralized by three healthcare real estate properties and was repaid in May 2019.
(4) Comprised of seven individual mortgage notes payable secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(5) In July 2019, an existing $12.4 million seller note payable secured by one healthcare real estate property was refinanced with a $12.8 million mortgage note payable.
(6) Comprised of four individual mortgage notes payable secured by four healthcare real estate properties, cross-collateralized and subject to cross-default.
(7) Includes $392.3 million principal amount of fixed rate borrowings, secured by 14 healthcare real estate properties, cross-collateralized and subject to cross-default as well as a supplemental financing totaling $74.2 million of principal, secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(8) Comprised of 32 individual mortgage notes payable secured by 32 healthcare real estate properties, cross-collateralized and subject to cross-default.
(9) Comprised of five individual mortgage notes payable secured by five healthcare real estate properties, cross-collateralized and subject to cross-default.

The following table presents scheduled principal payments on borrowings based on final maturity as of December 31, 2019 (dollars in thousands):

Years Ending December 31:		
2020	$	23,751
2021		76,171
2022		466,725
2023		19,056
2024		19,778
Thereafter		849,932
Total	$	1,455,413

As of December 31, 2019, the operating performance of a property within the Company's Rochester portfolio did not maintain certain minimum financial coverage ratios required under the contractual terms of its mortgage note, which resulted in a default. The Company is currently in discussions with the lender to cure or otherwise waive the default.

As of December 31, 2019, the tenant for the Arbors portfolio failed to remit rent timely, which resulted in a default under the tenant's lease, which in turn, resulted in a default under the mortgage notes collateralized by the properties. The Company is currently in discussions with the tenant regarding the lease default.

Colony Capital Line of Credit

In October 2017, the Company obtained a revolving line of credit from an affiliate of Colony Capital, the Sponsor, for up to $15.0 million at an interest rate of 3.5% plus LIBOR (the "Sponsor Line"). The Sponsor Line had an initial one year term, with an extension option of six months. In November 2017, the borrowing capacity under the Sponsor Line was increased to $35.0 million. During 2017, the Company had drawn and fully repaid $25.0 million under the Sponsor Line. In March 2018, the Sponsor Line maturity was extended through December 2020, and in May 2019, the maturity date was further extended through December 2021. The Company did not utilize the Sponsor Line during the year ended December 31, 2019.

Corporate Credit Facility

In December 2017, the Company executed a corporate credit facility with Key Bank (the "Corporate Facility"), for up to $25.0 million. The Corporate Facility had a three year term at interest rates ranging between 2.5% and 3.5% plus LIBOR and was not utilized. In April 2019, the Company terminated the Corporate Facility.

7. Related Party Arrangements

Advisor

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

In December 2017, the advisory agreement was amended with changes to the asset management and acquisition fee structure as further described below. In June 2019, the advisory agreement was renewed for an additional one-year term commencing on June 30, 2019, with terms identical to those in effect through June 30, 2019.

Fees to Advisor

Asset Management Fee

From inception through December 31, 2017, the Advisor received a monthly asset management fee equal to one-twelfth of 1.0% of the sum of the amount funded or allocated for investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or the proportionate share thereof in the case of an investment made through a joint venture).

Effective January 1, 2018, the Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of the Company's most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared

by the board of directors in connection with a sale, transfer or other disposition of a substantial portion of the Company's assets, with $2.5 million per calendar quarter of such fee paid in shares of the Company's common stock at a price per share equal to the most recently published net asset value per share.

The Advisor has also agreed that all shares of the Company's common stock issued to it in consideration of the asset management fee will be subordinate in the share repurchase program to shares of the Company's common stock held by third party stockholders for a period of two years, unless the advisory agreement is earlier terminated.

Incentive Fee

The Advisor is entitled to receive distributions equal to 15.0% of net cash flows of the Company, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital.

Acquisition Fee

From inception through December 31, 2017, the Advisor received fees for providing structuring, diligence, underwriting advice and related services in connection with real estate acquisitions equal to 2.25% of each real estate property acquired by the Company, including acquisition costs and any financing attributable to an equity investment (or the proportionate share thereof in the case of an indirect equity investment made through a joint venture or other investment vehicle) and 1.0% of the amount funded or allocated by the Company to acquire or originate debt investments, including acquisition costs and any financing attributable to such investments (or the proportionate share thereof in the case of an indirect investment made through a joint venture or other investment vehicle).

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

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by the Company's independent directors, the Advisor may receive a disposition fee of 2.0% of the contract sales price of each property sold and 1.0% of the contract sales price of each debt investment sold. The Company does not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a debt investment unless there is a corresponding fee paid by the borrower, in which case the disposition fee is the lesser of: (i) 1.0% of the principal amount of the debt investment prior to such transaction; or (ii) the amount of the fee paid by the borrower in connection with such transaction. If the Company takes ownership of a property as a result of a workout or foreclosure of a debt investment, the Company will pay a disposition fee upon the sale of such property. A disposition fee from the sale of an investment is generally expensed and included in asset management and other fees - related party in the Company's consolidated statements of operations. A disposition fee for a debt investment incurred in a transaction other than a sale is included in debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Reimbursements to Advisor

Operating Costs

The Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. The Advisor allocates, in good faith, indirect costs to the Company related to the Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with the Advisor. The indirect costs include the Company's allocable share of the Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The indirect costs also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to executive officers (although there may be reimbursement for certain executive officers of the Advisor) and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Advisor allocates these costs to the Company relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with the Company's board of directors, including its independent directors. The Advisor updates the board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. The Company reimburses the Advisor quarterly for operating costs (including

the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets; or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period.

Summary of Fees and Reimbursements

The following tables present the fees and reimbursements incurred and paid to the Advisor for the years ended December 31, 2019 and 2018 and the amount due to related party as of December 31, 2019, 2018 and 2017 (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2018	Year Ended December 31, 2019		Due to Related Party as of December 31, 2019
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,665	$ 19,789	$ (19,977) [2]	$ 1,477
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,010	11,892	(11,599)	4,303
Total		$ 5,675	$ 31,681	$ (31,576)	$ 5,780

(1) The Company did not incur any disposition fees during the year ended December 31, 2019, nor were any such fees outstanding as of December 31, 2019.
(2) Includes $9.9 million paid in shares of the Company's common stock and a $0.1 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2019, the Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2017	Year Ended December 31, 2018		Due to Related Party as of December 31, 2018
			Incurred	Paid	
Fees to Advisor Entities					
Asset management[1]	Asset management and other fees-related party	$ —	$ 23,486	$ (21,821) [2]	$ 1,665
Acquisition[2]	Investments in unconsolidated ventures/Asset management and other fees-related party	8	(8)	—	—
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	1,038	12,631	(9,659)	4,010
Total		$ 1,046	$ 36,109	$ (31,480)	$ 5,675

(1) Includes $9.0 million paid in shares of the Company's common stock and a $0.2 million gain recognized on the settlement of the share-based payment.
(2) The Company did not incur any disposition fees during the year ended December 31, 2018, nor were any such fees outstanding as of December 31, 2017.
(3) As of December 31, 2018, the Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Pursuant to the advisory agreement, for the year ended December 31, 2019, the Company issued 1.4 million shares totaling $9.9 million, based on the estimated share price on the date of each issuance, to an affiliate of the Advisor as part of its asset management fee.

As of December 31, 2019, the Advisor, the Sponsor and their affiliates owned a total of 3.1 million shares or $19.4 million of the Company's common stock based on the Company's most recent estimated value per share.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, which owns 80.0%, and the Company, which owns 20.0%. For the year ended December 31, 2019, the Company recognized property management fee expense of $5.2 million paid to Solstice related to the Winterfell portfolio.

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

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	Colony Capital/ Formation Capital, LLC	May 2014	5.6%
Griffin-American	Colony Capital	December 2014	14.3%

In connection with the acquisition of the Griffin-American portfolio by NorthStar Realty, now a subsidiary of Colony Capital, and the Company, the Sponsor acquired a 43.0%, as adjusted, ownership interest in American Healthcare Investors, LLC ("AHI") and Mr. James F. Flaherty III, a partner of the Sponsor, acquired a 12.3% ownership interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American, until Griffin-American was acquired by the Company and NorthStar Realty.

In December 2015, the Company, through a joint venture with Griffin-American Healthcare REIT III, Inc., a REIT sponsored and advised by AHI, acquired a 29.0% interest in the Trilogy portfolio, a $1.2 billion healthcare portfolio and contributed $201.7 million for its interest. The purchase was approved by the Company's board of directors, including all of its independent directors. In October 2018, the Company sold 20.0% of its ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced its ownership interest in the joint venture from approximately 29% to 23%. The Company sold the ownership interest to a wholly-owned subsidiary of the operating partnership of Griffin-American Healthcare REIT IV, Inc., a REIT sponsored by AHI.

Origination of Mezzanine Loan

In July 2015, the Company originated a $75.0 million mezzanine loan to a subsidiary of Espresso, which bears interest at a fixed rate of 10.0% per year and matures in January 2021. Refer to Note 5, "Real Estate Debt Investments" for further discussion.

Colony Capital Line of Credit

In October 2017, the Company obtained the Sponsor Line, which provides up to $35.0 million at an interest rate of 3.5% plus LIBOR. Refer to Note 6, "Borrowings" for further discussion.

8. 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. Pursuant to the Plan, as of December 31, 2019, the Company's independent directors were granted a total of 131,132 shares of restricted common stock for an aggregate $1.1 million, based on the share price on the date of each grant. The restricted stock granted prior to 2015 generally vested quarterly over four years and the restricted stock granted in and subsequent to 2015 generally vests quarterly over two years. However, the stock 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 Company recognized equity-based compensation expense of $0.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. Equity-based compensation expense is related to the issuance of restricted stock to the independent directors and is recorded in general and administrative expenses in the consolidated statements of operations. Unrecognized equity-based compensation for unvested shares totaled $0.2 million as of December 31, 2019 and 2018, respectively. Unvested shares totaled 33,645 and 20,827 as of December 31, 2019 and 2018, respectively.

9. Stockholders' Equity

Common Stock

The Company stopped accepting subscriptions for the Follow-On Offering on December 17, 2015 and all of the shares initially registered for the Follow-On 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 in the Primary Offering.

Distribution Reinvestment Plan

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

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

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

For the year ended December 31, 2019, the Company issued 0.7 million shares of common stock totaling $4.9 million of gross offering proceeds pursuant to the DRP. For the year ended December 31, 2018, the Company issued 4.0 million shares of common stock totaling $33.7 million of gross offering proceeds pursuant to the DRP. From inception through December 31, 2019, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to the DRP.

Distributions

From inception through December 31, 2017, distributions to stockholders were declared quarterly by the board of directors of the Company and paid monthly based on a daily amount of $0.00184932 per share, equivalent to an annualized distribution amount of $0.675 per share of the Company's common stock.

During the year ended December 31, 2018, the Company's board of directors approved daily cash distributions of $0.000924658 per share of common stock, equivalent to an annualized distribution amount of $0.3375 per share.

The Company's board of directors approved daily cash distributions of $0.000924658 per share of common stock for the month ending January 31, 2019. Effective February 1, 2019, the Company's board of directors determined to suspend distributions in order to preserve capital and liquidity.

Distributions were generally paid to stockholders on the first business day of the month following the month for which the distribution was accrued.

The following table presents distributions declared for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Distributions[1]		
Period	**Cash**	**DRP**	**Total**
2019			
First Quarter	$ 2,991	$ 2,422	$ 5,413
Second Quarter	—	—	—
Third Quarter	—	—	—
Fourth Quarter	—	—	—
Total	$ 2,991	$ 2,422	$ 5,413
2018			
First Quarter	$ 7,684	$ 7,876	$ 15,560
Second Quarter	8,028	7,722	15,750
Third Quarter	8,374	7,567	15,941
Fourth Quarter	8,653	7,352	16,005
Total	$ 32,739	$ 30,517	$ 63,256
2017			
First Quarter	$ 14,228	$ 16,669	$ 30,897
Second Quarter	14,557	16,804	31,361
Third Quarter	14,899	16,873	31,772
Fourth Quarter	15,082	16,691	31,773
Total	$ 58,766	$ 67,037	$ 125,803

(1) Represents distributions declared for the period, even though such distributions are actually paid to stockholders in the month following such period.

In order to continue to qualify as a REIT, the Company must distribute annually dividends equal to at least 90% of its REIT taxable income (with certain adjustments). For the year ended December 31, 2019, the Company generated net operating losses for tax purposes. The Company did not have positive REIT taxable income for its taxable year ending December 31, 2019, therefore, it was not required to make distributions to its stockholders in 2019 to qualify as a REIT. The Company's most recently filed tax return is for the year ended December 31, 2018 and includes a net operating loss carry-forward of $73.5 million.

Share Repurchase Program

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

In December 2017, the Company's board of directors approved the following amendments to the Share Repurchase Program:

- Limit the amount of shares that may be repurchased pursuant to the Share Repurchase Program (including repurchases in the case of death or qualifying disability) as follows: (a) for repurchase requests made during the calendar quarter ending December 31, 2017, $8.0 million in aggregate repurchases and (b) for repurchase requests made in 2018 and thereafter, the lesser of (1) 5% of the weighted average number of shares of the Company's common stock outstanding during the prior calendar year, less shares repurchased during the current calendar year, or (2) the net proceeds received by the Company during the calendar quarter in which such repurchase requests were made from the sale of shares pursuant to the Company's DRP;
- The price paid for shares was: (a) for shares repurchased in connection with a death or disability, the lesser of the price paid for the shares or the most recently published estimated value per share and (b) for all other shares, 90.0% of the Company's most recently published estimated value per share; and
- In the event all repurchase requests in a given quarter could not be satisfied, the Company first repurchased shares submitted in connection with a stockholder's qualifying death or disability and thereafter repurchased shares pro rata, and the Company sought to honor any unredeemed shares in a future quarter (unless the stockholder withdrew its request).

In October 2018, the Company's board of directors approved an amended and restated Share Repurchase Program, under which the Company will only repurchase shares in connection with the death or qualifying disability of a stockholder at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transactions, or the most recently published estimated value per share. The amended and restated Share Repurchase Program became effective October 29, 2018.

For the year ended December 31, 2019, the Company repurchased 1.5 million shares of common stock for $10.7 million at an average price of $7.10 per share. For the year ended December 31, 2018, the Company repurchased 3.3 million shares of common stock for $25.9 million at an average price of $7.91 per share pursuant to the Share Repurchase Program.

The Company has funded repurchase requests received during a quarter with cash on hand, borrowings or other available capital. Prior to the most recent amendments to the Share Repurchase Program, the Company had a total of 12.0 million shares, or $74.8 million, based on its most recently published estimated value per share of $6.25, in unfulfilled repurchase requests. Refer to Note 15, "Subsequent Events" for additional information regarding the Share Repurchase Program.

10. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners' ownership percentage of the Operating Partnership. Income (loss) allocated to the Operating Partnership non-controlling interests for the years ended December 31, 2019, 2018 and 2017 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 $0.8 million, $0.4 million and $0.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

11. Fair Value

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of December 31, 2019 and 2018 (dollars in thousands):

	December 31, 2019			December 31, 2018		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net	$ 74,182	$ 55,468	$ 74,182	$ 75,000	$ 58,600	$ 75,000
Financial liabilities:[1]						
Mortgage and other notes payable, net	$ 1,455,413	$ 1,431,922	$ 1,450,876	$ 1,494,154	$ 1,466,349	$ 1,464,533

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

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

Real Estate Debt Investments, Net

For commercial real estate ("CRE") debt investments, fair values were determined by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. As of the reporting date, the Company believes that principal amount approximates fair value. These fair value measurements of CRE debt are generally based on unobservable inputs, and as such, are classified as Level 3 of the fair value hierarchy.

Mortgage and Other Notes Payable, Net

For mortgage and other 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 LIBOR rates as of the end of the reporting period. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment. The following table summarizes Level 3 assets carried at fair value on a nonrecurring basis as of December 31, 2019 and 2018 (dollars in thousands):

	December 31, 2019	December 31, 2018
Operating real estate, net	$ 58,804	$ 47,955
Assets held for sale	1,649	2,183

The following table summarizes the fair value write-downs recorded as impairment losses in the years presented for assets carried at nonrecurring fair values as of December 31, 2019 and 2018 (dollars in thousands):

	Year Ended December 31,		
	2019	2018	2017
Operating real estate, net	$ 27,021	$ 31,000	$ —
Assets held for sale	533	2,494	5,000
Total impairment loss	$ 27,554	$ 33,494	$ 5,000

Operating Real Estate

Operating real estate that is impaired is carried at fair value at the time of impairment. Impairment was driven by various factors including changes in undiscounted future net cash flows expected to be generated by the properties and declines in operating performance. Fair value of impaired operating real estate was estimated based upon various approaches including discounted cash flow analysis using terminal capitalization rates ranging from 7.0% to 7.75% and discount rates ranging from 7.0% to 7.5%, third party appraisals, offer prices or broker opinions of value.

Assets Held For Sale

Assets held for sale are carried at the lower of amortized cost or fair value. Assets held for sale that were written down to fair value were generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with specific properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs of 3.0%.

12. Quarterly Financial Information (Unaudited)

The following tables present selected quarterly information for the years ended December 31, 2019 and 2018 (dollars in thousands, except per share data):

	Three Months Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Property and other revenues	$ 72,907	$ 72,778	$ 74,972	$ 72,521
Net interest income	1,932	1,946	1,923	1,902
Expenses	106,235	86,571	95,420	93,099
Equity in earnings (losses) of unconsolidated ventures	4,121	(3,037)	(4,405)	(224)
Net income (loss)	(26,924)	(14,697)	(17,460)	(18,669)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(26,573)	(14,624)	(17,146)	(18,617)
Net income (loss) per share of common stock, basic/diluted [1]	$ (0.13)	$ (0.08)	$ (0.09)	$ (0.10)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

	Three Months Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Property and other revenues	$ 73,721	$ 73,470	$ 72,777	$ 74,303
Net interest income	1,943	1,943	1,921	3,224
Expenses	131,445	99,430	104,790	106,269
Equity in earnings (losses) of unconsolidated ventures	(37,424)	16,631	(4,098)	(8,626)
Net income (loss)	(77,257)	(6,670)	(34,205)	(33,888)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(77,212)	(6,604)	(34,094)	(33,668)
Net income (loss) per share of common stock, basic/diluted [1]	$ (0.40)	$ (0.04)	$ (0.18)	$ (0.18)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

13. Segment Reporting

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

- *Direct Investments - Net Lease* - Healthcare properties operated under net leases with a tenant operator.
- *Direct Investments - Operating* - Healthcare properties operated pursuant to management agreements with healthcare operators.
- *Unconsolidated Investments* - Healthcare joint ventures, including properties operated under net leases or pursuant to management agreements with healthcare operators, in which we own a minority interest.
- *Debt and Securities Investments* - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities backed primarily by loans secured by healthcare properties.
- *Corporate* - The corporate segment includes corporate level asset management and other fees - related party and general and administrative expenses.

The Company primarily generates rental and resident fee income from its direct investments and net interest income on real estate debt and securities investments.

The following table presents the operators and tenants of the Company's properties, excluding properties owned through unconsolidated joint ventures as of December 31, 2019 (dollars in thousands):

				Year Ended December 31, 2019	
Operator / Tenant		**Properties Under Management**	**Units Under Management[1]**	**Property and Other Revenues[2]**	**% of Total Property and Other Revenues**
Watermark Retirement Communities		30	5,265	$ 152,351	52.0%
Solstice Senior Living	(3)	32	4,000	105,497	36.0%
Avamere Health Services		5	453	16,979	5.8%
Arcadia Management		4	572	10,615	3.6%
Integral Senior Living	(3)	3	162	6,417	2.2%
Peregrine Senior Living	(4)	—	—	598	0.2%
Senior Lifestyle Corporation	(5)	1	63	—	—%
Other	(6)	—	—	721	0.2%
Total		75	10,515	$ 293,178	100.0%

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from the Company's net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from the Company's ALFs, MCFs and CCRCs, 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) In May 2019, the Company sold the two properties that were leased to Peregrine Senior Living.
(5) Tenant has failed to remit rental payments during the year ended December 31, 2019. Properties and unit counts exclude one property held for sale.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

The following tables present segment reporting for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Direct Investments					
Year Ended December 31, 2019	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Total**
Rental and resident fee income	$ 33,423	$ 257,796	$ —	$ —	$ —	$ 291,219
Net interest income on debt and securities	—	—	—	7,703	—	7,703
Other revenue	1	1,237	—	35	686	1,959
Property operating expenses	(11)	(181,203)	—	—	—	(181,214)
Interest expense	(12,434)	(56,360)	—	—	(102)	(68,896)
Transaction costs	—	(122)	—	—	—	(122)
Asset management and other fees - related party	—	—	—	—	(19,789)	(19,789)
General and administrative expenses	(268)	(42)	—	(38)	(12,413)	(12,761)
Depreciation and amortization	(14,329)	(56,660)	—	—	—	(70,989)
Impairment loss	(4,132)	(23,422)	—	—	—	(27,554)
Realized gain (loss) on investments and other	5,872	719	—	—	(277)	6,314
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	8,122	(58,057)	—	7,700	(31,895)	(74,130)
Equity in earnings (losses) of unconsolidated ventures	—	—	(3,545)	—	—	(3,545)
Income tax benefit (expense)	—	(75)	—	—	—	(75)
Net income (loss)	$ 8,122	$ (58,132)	$ (3,545)	$ 7,700	$ (31,895)	$ (77,750)

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

	Direct Investments							
Year Ended December 31, 2018	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Subtotal**	**Investing VIE[2]**	**Total**
Rental and resident fee income	$ 34,275	$ 255,061	$ —	$ —	$ —	$ 289,336	$ —	$ 289,336
Net interest income on debt and securities	—	—	—	8,534	(314) [3]	8,220	811	9,031
Other revenue	1	3,718	—	375	841	4,935	—	4,935
Property operating expenses	(1,346)	(187,415)	—	—	—	(188,761)	—	(188,761)
Interest expense	(13,326)	(56,595)	—	—	(275)	(70,196)	—	(70,196)
Other expenses related to securitization trust	—	—	—	—	—	—	(811)	(811)
Transaction costs	(60)	(828)	—	—	—	(888)	—	(888)
Asset management and other fees - related party	—	—	—	—	(23,478)	(23,478)	—	(23,478)
General and administrative expenses	(183)	(856)	(2)	(46)	(13,303)	(14,390)	—	(14,390)
Depreciation and amortization	(13,694)	(93,439)	—	—	—	(107,133)	—	(107,133)
Impairment loss	(5,094)	(31,183)	—	—	—	(36,277)	—	(36,277)
Unrealized gain (loss) on mortgage loans held in securitization trust, net	—	—	—	(314)	314 [3]	—	—	—
Realized gain (loss) on investments and other	—	2,525	14,086	3,495	137	20,243	—	20,243
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	573	(109,012)	14,084	12,044	(36,078)	(118,389)	—	(118,389)
Equity in earnings (losses) of unconsolidated ventures	—	—	(33,517)	—	—	(33,517)	—	(33,517)
Income tax benefit (expense)	—	(114)	—	—	—	(114)	—	(114)
Net income (loss)	$ 573	$ (109,126)	$ (19,433)	$ 12,044	$ (36,078)	$ (152,020)	$ —	$ (152,020)

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

(2) Investing VIEs are not considered to be a segment that the Company conducts its business through, however U.S. GAAP requires the Company, as the primary beneficiary, to present the assets and liabilities of the securitization trust on its consolidated balance sheets and recognize the related interest income and interest expense, as net interest income on the consolidated statements of operations. Though U.S. GAAP requires this presentation, the Company views its investment in the securitization trust as a net investment in debt and securities.

(3) Represents income earned from the healthcare-related securities purchased at a discount, recognized using the effective interest method had the transaction been recorded as an available for sale security, at amortized cost. During the year ended December 31, 2018, $0.3 million was attributable to discount accretion income and was eliminated in consolidation in the corporate segment.

	Direct Investments							
Year Ended December 31, 2017	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Subtotal**	**Investing VIE[2]**	**Total**
Rental and resident fee income	$ 34,798	$ 248,082	$ —	$ —	$ —	$ 282,880	$ —	$ 282,880
Net interest income on debt and securities	—	(1)	—	11,749	(1,529) [3]	10,219	3,922	14,141
Other revenue	5	2,244	—	—	646	2,895	—	2,895
Property operating expenses	(31)	(163,806)	—	—	—	(163,837)	—	(163,837)
Interest expense	(12,266)	(48,742)	—	—	(74)	(61,082)	—	(61,082)
Other expenses related to securitization trust	—	—	—	—	—	—	(3,922)	(3,922)
Transaction costs	(435)	(8,972)	—	—	—	(9,407)	—	(9,407)
Asset management and other fees - related party	—	—	—	—	(41,954)	(41,954)	—	(41,954)
General and administrative expenses	(82)	(866)	—	(49)	(12,491)	(13,488)	—	(13,488)
Depreciation and amortization	(13,127)	(92,332)	—	—	—	(105,459)	—	(105,459)
Impairment of operating real estate	(5,000)	—	—	—	—	(5,000)	—	(5,000)
Unrealized gain (loss) on mortgage loans held in securitization trust, net	—	—	—	(26)	1,529 [3]	1,503	—	1,503
Realized gain (loss) on investments and other	—	116	—	—	—	116	—	116
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	3,862	(64,277)	—	11,674	(53,873)	(102,614)	—	(102,614)
Equity in earnings (losses) of unconsolidated ventures	—	—	(35,314)	—	—	(35,314)	—	(35,314)
Income tax benefit (expense)	—	(43)	—	—	—	(43)	—	(43)
Net income (loss)	$ 3,862	$ (64,320)	$ (35,314)	$ 11,674	$ (53,873)	$ (137,971)	$ —	$ (137,971)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.
(2) Investing VIEs are not considered to be a segment that the Company conducts its business through, however U.S. GAAP requires the Company, as the primary beneficiary, to recognize the related interest income and interest expense, as net interest income on the consolidated statements of operations. Though U.S. GAAP requires this presentation, the Company views its investment in the securitization trust as a net investment in debt and securities.
(3) Represents income earned from the healthcare-related securities purchased at a discount, recognized using the effective interest method had the transaction been recorded as an available for sale security, at amortized cost. During the year ended December 31, 2017, $1.5 million was attributable to discount accretion income and was eliminated in consolidation in the corporate segment.

The following table presents total assets by segment as of December 31, 2019 and 2018 (dollars in thousands):

	Direct Investments					
Total Assets:	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Total**
December 31, 2019	$ 365,789	$ 1,420,023	$ 268,892	$ 56,099	$ 30,404	$ 2,141,207
December 31, 2018	394,697	1,481,522	264,317	59,620	64,260	2,264,416

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

14. Commitments and Contingencies

Litigation and Claims

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

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

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

Other

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

15. Subsequent Events

The following is a discussion of material events which have occurred subsequent to December 31, 2019 through the issuance of the consolidated financial statements.

Share Repurchases

For the period from January 1, 2020 through March 19, 2020, the Company repurchased 0.3 million shares for a total of $2.0 million or a price of $6.25 per share under the Share Repurchase Program.

Coronavirus Outbreak

In December 2019, a novel strain of coronavirus emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally. The World Health Organization has declared the coronavirus outbreak a pandemic, the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak and the Centers for Disease Control and Prevention has stated that older adults are at a higher risk for serious illness from the coronavirus. Due to the fact the Company's portfolio is comprised entirely of healthcare real estate, with a focus on the mid-acuity senior housing sector, the coronavirus will impact the Company's operating results to the extent that its continued spread reduces occupancy at the Company's properties, results in quarantines for residents and/or bans on admissions at the Company's properties, reduces the ability to continue to obtain necessary goods and provide adequate staffing at its properties or increases the cost burdens faced by the Company's operators. The extent to which the coronavirus impacts the Company's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat

its impact, among others. At this time, the Company is unable to estimate the impact of this event on its operations, but expects that it will have a material impact on its operations in the coming months.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019
(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition[1]	Column E Gross Amount Carried at Close of Period[2]			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Net Lease Portfolio											
Smyrna, GA	$ —	$ 825	$ 9,175	$ (5,730)	$ 825	$ 3,445	$ 4,270	$ 1,469	$ 2,801	Dec-13	40 years
Bohemia, NY	23,689	4,258	27,805	160	4,258	27,965	32,223	4,245	27,978	Sep-14	40 years
Hauppauge, NY	14,372	2,086	18,495	1,351	2,086	19,846	21,932	3,193	18,739	Sep-14	40 years
Islandia, NY	35,317	8,437	37,198	291	8,437	37,489	45,926	5,799	40,127	Sep-14	40 years
Westbury, NY	15,648	2,506	19,163	293	2,506	19,456	21,962	2,905	19,057	Sep-14	40 years
Bellevue, WA	30,227	13,801	18,208	3,839	13,801	22,047	35,848	3,929	31,919	Jun-15	40 years
Dana Point, CA	32,044	6,286	41,199	611	6,286	41,810	48,096	5,560	42,536	Jun-15	40 years
Kalamazoo, MI	34,042	4,521	30,870	2,824	4,521	33,694	38,215	5,548	32,667	Jun-15	40 years
Oklahoma City, OK	2,935	3,104	6,119	1,349	3,104	7,468	10,572	2,120	8,452	Jun-15	40 years
Palm Desert, CA	20,195	5,365	38,889	2,675	5,365	41,564	46,929	6,515	40,414	Jun-15	40 years
Sarasota, FL	73,073	12,845	64,403	4,421	12,845	68,824	81,669	10,296	71,373	Jun-15	40 years
Senior Housing Operating Portfolio											
Leawood, KS	—	900	7,100	(2,959)	900	4,141	5,041	1,362	3,679	Oct-13	40 years
Spring Hill, KS	—	430	6,570	(3,513)	430	3,057	3,487	1,148	2,339	Oct-13	40 years
Milford, OH	18,760	1,160	14,440	1,560	1,160	16,000	17,160	3,261	13,899	Dec-13	40 years
Milford, OH	—	700	—	5,603	700	5,603	6,303	211	6,092	Jul-17	40 years
Denver, CO	20,547	4,300	27,200	9,417	4,300	36,617	40,917	6,278	34,639	Jan-14	40 years
Frisco, TX	19,170	3,100	35,874	2,107	3,100	37,981	41,081	6,239	34,842	Feb-14	40 years
Alexandria, VA	44,269	7,950	41,124	2,465	7,950	43,589	51,539	6,040	45,499	Jun-15	40 years
Crystal Lake, IL	27,028	6,580	28,210	2,893	6,580	31,103	37,683	4,406	33,277	Jun-15	40 years
Independence, MO	15,260	1,280	17,090	1,669	1,280	18,759	20,039	2,904	17,135	Jun-15	40 years
Millbrook, NY	24,285	6,610	20,854	3,732	6,610	24,586	31,196	4,088	27,108	Jun-15	40 years
St. Petersburg, FL	39,898	8,920	44,137	6,015	8,920	50,152	59,072	7,299	51,773	Jun-15	40 years
Tarboro, NC	22,130	2,400	17,800	4,211	2,400	22,011	24,411	3,460	20,951	Jun-15	40 years
Tuckahoe, NY	36,255	4,870	26,980	1,297	4,870	28,277	33,147	3,822	29,325	Jun-15	40 years
Tucson, AZ	64,836	7,370	60,719	5,097	7,370	65,816	73,186	9,393	63,793	Jun-15	40 years
Apple Valley, CA	21,304	1,168	24,625	605	1,168	25,230	26,398	3,176	23,222	Mar-16	40 years
Auburn, CA	24,069	1,694	18,438	965	1,694	19,403	21,097	2,632	18,465	Mar-16	40 years
Austin, TX	26,501	4,020	19,417	2,119	4,020	21,536	25,556	2,747	22,809	Mar-16	40 years
Bakersfield, CA	16,818	1,831	21,006	987	1,831	21,993	23,824	2,885	20,939	Mar-16	40 years
Bangor, ME	21,449	2,463	23,205	721	2,463	23,926	26,389	3,191	23,198	Mar-16	40 years
Bellingham, WA	23,816	2,242	18,807	1,098	2,242	19,905	22,147	2,670	19,477	Mar-16	40 years
Clovis, CA	18,743	1,821	21,721	638	1,821	22,359	24,180	2,833	21,347	Mar-16	40 years
Columbia, MO	22,677	1,621	23,521	715	1,621	24,236	25,857	3,061	22,796	Mar-16	40 years
Corpus Christi, TX	18,582	2,263	20,142	928	2,263	21,070	23,333	2,764	20,569	Mar-16	40 years
East Amherst, NY	18,509	2,873	18,279	495	2,873	18,774	21,647	2,427	19,220	Mar-16	40 years
El Cajon, CA	20,967	2,357	14,733	730	2,357	15,463	17,820	2,192	15,628	Mar-16	40 years
El Paso, TX	12,198	1,610	14,103	969	1,610	15,072	16,682	1,974	14,708	Mar-16	40 years
Fairport, NY	16,505	1,452	19,427	599	1,452	20,026	21,478	2,444	19,034	Mar-16	40 years
Fenton, MO	24,527	2,410	22,216	773	2,410	22,989	25,399	2,982	22,417	Mar-16	40 years
Grand Junction, CO	19,466	2,525	26,446	504	2,525	26,950	29,475	3,544	25,931	Mar-16	40 years
Grand Junction, CO	9,975	1,147	12,523	591	1,147	13,114	14,261	1,897	12,364	Mar-16	40 years
Grapevine, TX	22,312	1,852	18,143	1,079	1,852	19,222	21,074	2,572	18,502	Mar-16	40 years
Groton, CT	17,579	3,673	21,879	1,554	3,673	23,433	27,106	3,272	23,834	Mar-16	40 years
Guilford, CT	24,273	6,725	27,488	(13,990)	6,725	13,498	20,223	3,553	16,670	Mar-16	40 years
Joliet, IL	14,896	1,473	23,427	(7,462)	1,473	15,965	17,438	2,907	14,531	Mar-16	40 years
Kennewick, WA	7,669	1,168	18,933	702	1,168	19,635	20,803	2,498	18,305	Mar-16	40 years
Las Cruces, NM	11,175	1,568	15,091	891	1,568	15,982	17,550	2,091	15,459	Mar-16	40 years
Lees Summit, MO	27,159	1,263	20,500	937	1,263	21,437	22,700	2,930	19,770	Mar-16	40 years
Lodi, CA	20,090	2,863	21,152	824	2,863	21,976	24,839	2,884	21,955	Mar-16	40 years
Normandy Park, WA	16,213	2,031	16,407	839	2,031	17,246	19,277	2,303	16,974	Mar-16	40 years

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019
(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition[1]	Column E Gross Amount Carried at Close of Period[2]			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Palatine, IL	20,089	1,221	26,993	1,768	1,221	28,761	29,982	3,653	26,329	Mar-16	40 years
Plano, TX	16,073	2,200	14,860	1,468	2,200	16,328	18,528	2,205	16,323	Mar-16	40 years
Renton, WA	19,026	2,642	20,469	851	2,642	21,320	23,962	2,836	21,126	Mar-16	40 years
Sandy, UT	15,781	2,810	19,132	541	2,810	19,673	22,483	2,529	19,954	Mar-16	40 years
Santa Rosa, CA	27,916	5,409	26,183	1,230	5,409	27,413	32,822	3,596	29,226	Mar-16	40 years
Sun City West, AZ	25,649	2,684	29,056	1,663	2,684	30,719	33,403	4,122	29,281	Mar-16	40 years
Tacoma, WA	30,018	7,974	32,435	1,913	7,977	34,345	42,322	4,555	37,767	Mar-16	40 years
Frisco, TX	—	1,130	—	12,595	1,130	12,595	13,725	1,243	12,482	Oct-16	40 years
Albany, OR	8,777	958	6,625	552	758	7,377	8,135	749	7,386	Feb-17	40 years
Port Townsend, WA	16,781	1,613	21,460	619	996	22,696	23,692	2,183	21,509	Feb-17	40 years
Roseburg, OR	12,416	699	11,589	589	459	12,418	12,877	1,170	11,707	Feb-17	40 years
Sandy, OR	14,161	1,611	16,697	652	1,233	17,727	18,960	1,594	17,366	Feb-17	40 years
Santa Barbara, CA	3,693	2,408	15,674	116	2,408	15,790	18,198	1,254	16,944	Feb-17	40 years
Wenatchee, WA	19,329	2,540	28,971	744	1,534	30,721	32,255	2,589	29,666	Feb-17	40 years
Churchville, NY	6,575	296	7,712	421	296	8,133	8,429	767	7,662	Aug-17	35 years
Greece, NY	—	534	18,158	(9,134)	533	9,025	9,558	1,240	8,318	Aug-17	49 years
Greece, NY	26,833	1,007	31,960	1,277	1,007	33,237	34,244	2,567	31,677	Aug-17	41 years
Henrietta, NY	11,881	1,153	16,812	732	1,152	17,545	18,697	1,771	16,926	Aug-17	36 years
Penfield, NY	12,502	781	20,273	(8,550)	781	11,723	12,504	2,036	10,468	Aug-17	30 years
Penfield, NY	10,918	516	9,898	335	515	10,234	10,749	970	9,779	Aug-17	35 years
Rochester, NY	20,228	2,426	31,861	1,610	2,425	33,472	35,897	2,644	33,253	Aug-17	39 years
Rochester, NY	5,341	297	12,484	1,139	296	13,624	13,920	1,209	12,711	Aug-17	37 years
Victor, NY	27,174	1,060	33,246	1,552	1,059	34,799	35,858	2,616	33,242	Aug-17	41 years
Victor, NY	12,800	557	13,570	10	556	13,581	14,137	797	13,340	Nov-17	41 years
Undeveloped Land											
Bellevue, WA	—	14,200	—	—	14,200	—	14,200	—	14,200	Jun-15	(3)
Kalamazoo, MI	—	100	—	—	100	—	100	—	100	Jun-15	(3)
Crystal Lake, IL	—	810	—	—	810	—	810	—	810	Jun-15	(3)
Millbrook, NY	—	1,050	—	—	1,050	—	1,050	—	1,050	Jun-15	(3)
Rochester, NY	—	544	—	—	544	—	544	—	544	Aug-17	(3)
Penfield, NY	—	534	—	—	534	—	534	—	534	Aug-17	(3)
Subtotal	$ 1,455,413	$238,481	$ 1,627,369	$ 65,182	$ 236,036	$ 1,694,996	$1,931,032	$ 230,814	$ 1,700,218		
Held for Sale											
Clinton, CT	—	—	—	—	—	—	1,649	—	1,649	Oct-13	(3)
Total	$ 1,455,413	$238,481	$ 1,627,369	$ 65,182	$ 236,036	$ 1,694,996	$1,932,681	$ 230,814	$ 1,701,867		

(1) Negative amount represents impairment of operating real estate.
(2) The aggregate cost for federal income tax purposes is approximately $2.2 billion.
(3) Depreciation is not recorded on land or assets held for sale.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2019

(Dollars in Thousands)

The following table presents changes in the Company's operating real estate portfolio for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of year	$ 1,949,997	$ 1,966,352	$ 1,632,153
Property acquisitions	—	—	317,224
Dispositions	(16,645)	(15,240)	—
Improvements	24,701	35,889	21,251
Impairment	(27,021)	(33,494)	(5,000)
Reclassification[1]	—	—	724
Subtotal	1,931,032	1,953,507	1,966,352
Classified as held for sale[2]	—	(3,510)	—
Balance at end of year[3]	$ 1,931,032	$ 1,949,997	$ 1,966,352

(1) Represents a measurement period adjustment of operating real estate acquired in 2016 reclassified from below market debt in connection with the final purchase price allocation for the Winterfell portfolio.
(2) Amounts classified as held for sale during the year and remain as held for sale at the end of the year.
(3) The aggregate cost of the properties are approximately $263.6 million higher for federal income tax purposes as of December 31, 2019.

The following table presents changes in accumulated depreciation as of December 31, 2019, 2018 and 2017 (dollars in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of year	$ 171,083	$ 113,924	$ 60,173
Depreciation expense	62,798	60,028	53,751
Property dispositions	(3,067)	(1,542)	—
Subtotal	230,814	172,410	113,924
Classified as held for sale	—	(1,327)	—
Balance at end of year	$ 230,814	$ 171,083	$ 113,924

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
December 31, 2019
(Dollars in Thousands)

Asset Type:	Location / Description	Count	Fixed Rate	Maturity Date[1]	Periodic Payment Terms[2]	Prior Liens[3]	Principal Amount	Carrying Value[4]	Principal Amount of Loans Subject to Delinquent Principal or Interest
Espresso Mezzanine Loan	Various / SNF / ALF	1	10.0%	Jan-21	I/O	$ 560,632	$ 74,182	$ 55,468	$ —

(1) Reflects the initial maturity date of the investment and does not consider any options to extend beyond such date.
(2) Interest Only, or I/O; principal amount due in full at maturity.
(3) Represents only third-party liens.
(4) The federal income tax basis is approximately $74.2 million.

Reconciliation of Carrying Value of Real Estate Debt (dollars in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of year	$ 58,600	$ 74,650	$ 74,558
Additions:			
Principal amount of new loans and additional funding on existing loans	—	—	—
Acquisition cost (fees) on new loans	—	—	—
Origination fees received on new loans	—	—	—
Deductions:			
Reclassification [1]	(2,427)	(16,151)	—
Repayment of principal	(818)	—	—
Amortization of acquisition costs, fees, premiums and discounts	113	101	92
Balance at end of year	$ 55,468	$ 58,600	$ 74,650

(1) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero as of December 31, 2018. The Company has recorded the excess equity in losses related to its unconsolidated venture as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture.

Corporate Directory

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