NORTHSTAR HEALTHCARE INCOME, INC.

Supplemental Financial Report - Third Quarter 2019

NorthStar HEALTHCARE INCOME

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

NorthStar HEALTHCARE INCOME

This presentation may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement. Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements: operating costs and business disruption may be greater than expected; the Company's operating results may differ materially from the information presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as amended by Amendment No. 1 on Form 10-K/A, and the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019; the fair value of the Company's investments may be subject to uncertainties; the Company's use of leverage could hinder its ability to make distributions and may significantly impact its liquidity position; given the Company's dependence on its external manager, an affiliate of Colony Capital, Inc., any adverse changes in the financial health or otherwise of its manager or Colony Capital, Inc. could hinder the Company's operating performance and return on stockholder's investment; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits, including, but not limited to expected returns on equity and/or yields on investments; the impact on the Company's liquidity position of any further impairments or defaults under its mezzanine loan; the Company's liquidity, including its ability to fund capital contributions in its unconsolidated joint ventures and to continue to generate liquidity by more accelerated sales of certain lower yielding and non-core assets; the timing of and ability to deploy available capital; the Company’s ability to re-commence the payment of dividends at all in the future; the timing of and ability to complete repurchases of the Company’s stock; the ability of the Company to refinance certain mortgage debt on similar terms to those currently existing or at all; and the impact of legislative, regulatory and competitive changes. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as amended by Amendment No. 1 on Form 10-K/A, the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 as well as in the Company’s other filings with the Securities and Exchange Commission (the “SEC”).

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

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

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I. OUR INVESTMENTS

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

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

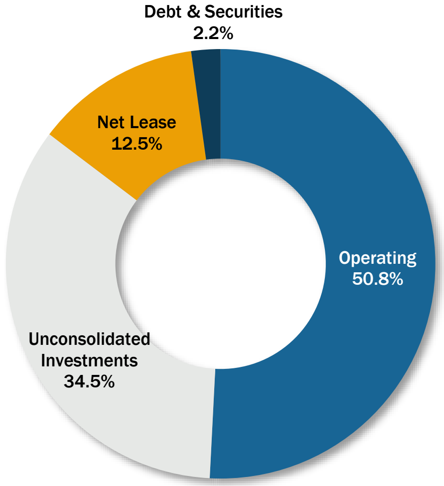
Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare operators.

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.

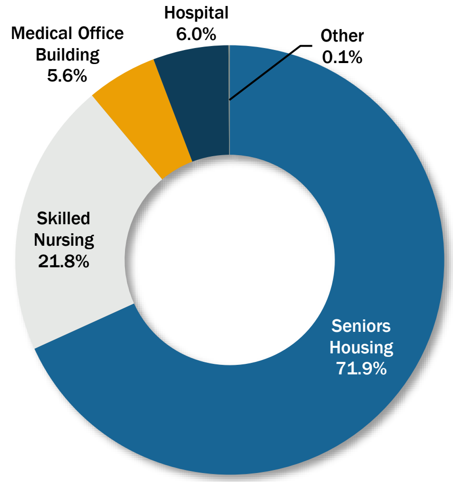
Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities backed primarily by loans secured by healthcare properties.

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

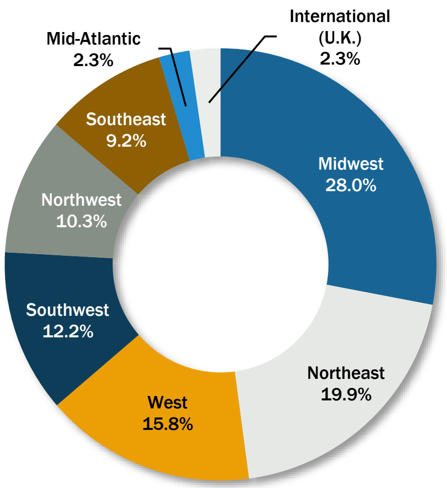
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of September 30, 2019. Property type classification based on predominant services provided, but may include other services.

I. OUR INVESTMENTS (CONT.)

Investment Type / Portfolio	Amount[3]	Properties Count By Type[1][2] SH	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Net Lease								
Watermark Fountains[4]	$ 288,836	6	-	-	-	6	Various	100.0%
Arbors	126,825	4	-	-	-	4	Northeast	100.0%
Peregrine	10,000	1	-	-	-	1	Northeast	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]	350,081	9	-	68	-	77	Various	23.2%
Espresso	318,565	6	-	149	-	155	Various	36.7%
Eclipse	50,437	44	-	23	-	67	Various	5.6%
Solstice[6]	-	-	-	-	-	-	Various	20.0%
Subtotal	1,175,722	151	108	281	9	549		
Debt and Securities Investments								
Mezzanine Loan[7]	75,000	-	-	-	-	-		
Total Investments	$ 3,407,881	226	108	281	9	624		

As of September 30, 2019. See 'Footnotes' in the Appendix.

II. BUSINESS DEVELOPMENTS & PORTFOLIO HIGHLIGHTS – THIRD QUARTER 2019

NorthStar HEALTHCARE INCOME

Business & Financial	
Business & Financial	▪ GAAP net loss decreased to \$14.7 million in Q3 2019 as compared to \$17.5 million in Q2 2019, primarily due to non-recurring impairment expense recognized in Q2 2019, partially offset by gains on sale recognized in Q2 2019. ▪ Modified Funds from Operations decreased to \$13.9 million in Q3 2019 as compared to \$16.4 million in Q2 2019. ▪ On a same store basis, rental and resident fee income, net of property operating expenses, of our direct operating investments decreased to \$19.2 million in Q3 2019 as compared to \$21.0 million for Q2 2019. - Decline in earnings was primarily attributable to non-recurring revenues and service provider expense credits recognized in Q2 2019. - During Q3 2019, average occupancy of our direct operating investments increased to approximately 82%. ▪ For the nine months ended September 30, 2019, on a same store basis, performance of our direct operating investments has improved, generating rental and resident fee income, net of property operating expenses, of \$58.7 million as compared to \$51.4 million during the nine months ended September 30, 2018. ▪ While our unconsolidated ventures continue to see improvements in operations overall, limited cash distributions from these investments continue to impact our liquidity position.
Investment Activity	▪ In September 2019, the Eclipse joint venture, of which we own 5.6%, sold nine properties within the portfolio. Our proportionate share of the net proceeds generated from the sale totaled \$2.1 million.
Capitalization & Liquidity	▪ In July 2019, we refinanced an existing \$12.4 million note payable, collateralized by a property in 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 Q3 2019, we repurchased \$2.2 million of shares. Subsequent to Q3 2019, we repurchased \$3.3 million of shares. ▪ In October 2019, the Griffin-American joint venture refinanced a £212 million loan on a portfolio of senior housing assets in the United Kingdom with an interest rate of LIBOR plus 4.25% with a new £223 million fully extended five-year loan with an interest rate of LIBOR plus 3.75%.

III. KEY PORTFOLIO METRICS

($ In thousands)

Key Metrics
(as of and for the nine months ended September 30, 2019)

Direct Investments:			Consolidated Debt:		
Net lease properties		11	Total mortgage and other notes payable	$	1,461,277
Weighted average remaining lease term		7.5 years	Leverage as a % of adjusted assets[1]		61.4%
Operating properties		64	Repayment of mortgage notes[2]	$	45,868
Weighted average occupancy		81.5%	Borrowings from mortgage notes	$	12,800
Gross asset amount	$	1,939,629			
Improvements to operating real estate[2]	$	14,644			

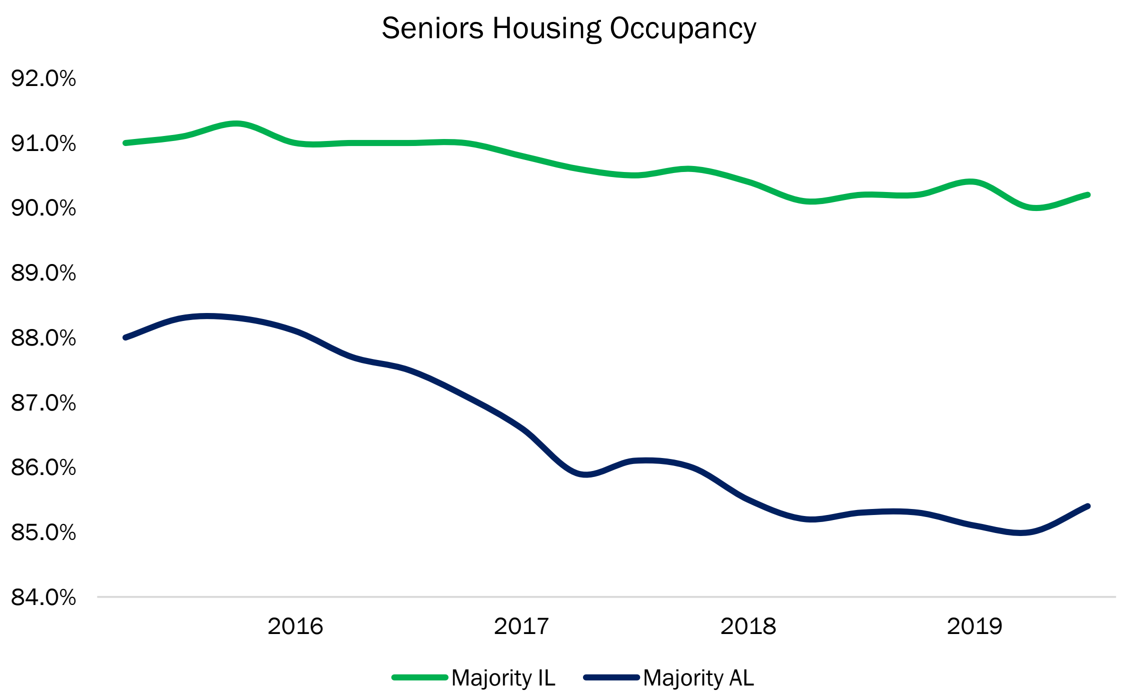
Operator / Tenant Information	Properties Managed	Units Under Management[3]		Revenues	% of Revenues
Watermark Retirement Communities	30	5,265	$	114,092	51.8%
Solstice Senior Living[4]	32	4,000		79,652	36.2%
Avamere Health Services	5	453		12,587	5.7%
Arcadia Management	4	572		7,961	3.6%
Integral Senior Living[4]	3	162		4,704	2.1%
Peregrine Senior Living[5]	-	-		598	0.3%
Senior Lifestyle Corporation[6]	1	63		-	0.0%
Other[7]	-	-		677	0.3%
Total	75	10,515	$	220,271	100.0%

See footnotes in the appendix

IV. HEALTHCARE MARKET UPDATE

Seniors Housing

- Seniors housing occupancy increased to 88.0% in Q3 2019 from 87.8% in Q2 2019
  - Seniors housing occupancy has declined or remained flat in 13 of the last 15 quarters
  - Independent Living ("IL"): Increased to 90.2% (Q3 2019) from 90.0% (Q2 2019)
  - Assisted Living ("AL"): Increased to 85.4% (Q3 2019) from 85.1% (Q2 2019)



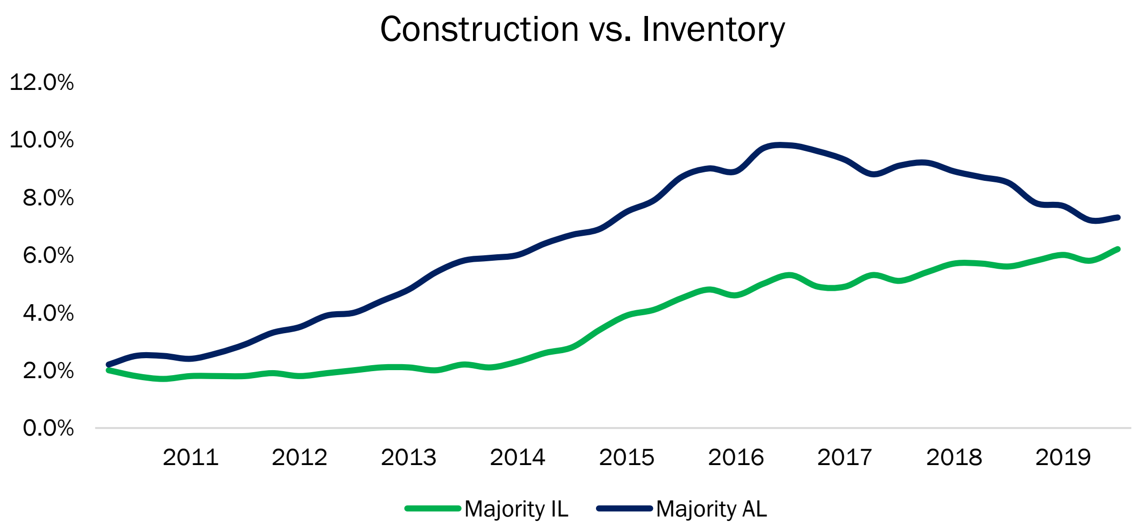
Source: National Investment Center for Seniors Housing & Care (NIC)

IV. HEALTHCARE MARKET UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

Seniors Housing (cont.)

- Although seniors housing construction as a percentage of inventory decreased slightly to 6.7% (Q3 2019) from 6.9% (Q2 2019), construction remains elevated
  - IL: Units under construction is near an all-time high of 6.2% of inventory, up from 6.0% in Q2 2019
  - AL: Units under construction decreased to 7.3% (7.8% in Q2 2019)



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

APPENDIX

NorthStar
HEALTHCARE INCOME

CONSOLIDATED BALANCE SHEETS

NorthStar HEALTHCARE INCOME

(In thousands)

		September 30, 2019 (Unaudited)		December 31, 2018
Assets				
Cash and cash equivalents	$	29,183	$	73,811
Restricted cash		20,985		20,697
Operating real estate, net		1,724,019		1,778,914
Investments in unconsolidated ventures		282,553		264,319
Real estate debt investments, net		55,649		58,600
Assets held for sale		2,037		2,183
Receivables, net		15,011		14,436
Deferred costs and intangible assets, net		28,822		36,996
Other assets		14,759		14,460
Total assets	**$**	**2,173,018**	**$**	**2,264,416**
Liabilities				
Mortgage and other notes payable, net	$	1,436,542	$	1,466,349
Due to related party		4,346		5,675
Escrow deposits payable		6,118		4,379
Distribution payable		-		5,400
Accounts payable and accrued expenses		27,983		32,405
Other liabilities		4,669		5,834
Total liabilities		**1,479,658**		**1,520,042**
Equity				
Common stock		1,893		1,885
Additional paid-in capital		1,703,086		1,697,998
Retained earnings (accumulated deficit)		(1,014,724)		(958,924)
Accumulated other comprehensive income (loss)		(2,372)		(2,284)
Total stockholders' equity		687,883		738,675
Non-controlling interests		5,477		5,699
Total equity		**693,360**		**744,374**
Total liabilities and equity	**$**	**2,173,018**	**$**	**2,264,416**

CONSOLIDATED STATEMENTS OF OPERATIONS

NorthStar HEALTHCARE INCOME

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Property and other revenues				
Resident fee income	$ 32,283	$ 32,469	$ 97,658	$ 98,232
Rental income	40,410	39,986	121,168	119,626
Other revenue	85	1,015	1,445	2,692
Total property and other revenues	72,778	73,470	220,271	220,550
Net interest income				
Interest income on debt investments	1,946	1,943	5,771	5,763
Interest income on mortgage loans held in a securitized trust	-	-	-	5,149
Interest expense on mortgage obligations issued by a securitization trust	-	-	-	(3,824)
Net interest income	1,946	1,943	5,771	7,088
Expenses				
Real estate properties - operating expenses	45,359	47,355	135,213	141,510
Interest expense	17,218	17,677	51,908	52,408
Other expenses related to securitization trust	-	-	-	811
Transaction costs	29	-	105	806
Asset management and other fees - related party	4,994	5,951	14,983	17,845
General and administrative expenses	2,807	2,818	8,210	9,927
Depreciation and amortization	16,164	25,629	54,525	81,943
Impairment loss	-	-	10,146	5,239
Total expenses	86,571	99,430	275,090	310,489
Other income (loss)				
Realized gain (loss) on investments and other	204	726	5,926	4,221
Equity in earnings (losses) of unconsolidated ventures	(3,037)	16,631	(7,666)	3,907
Income tax benefit (expense)	(17)	(10)	(38)	(40)
Net income (loss)	**(14,697)**	**(6,670)**	**(50,826)**	**(74,763)**
Net (income) loss attributable to non-controlling interests	73	66	439	397
Net income (loss) attributable to common stockholders	**(14,624)**	**(6,604)**	**(50,387)**	**(74,366)**
Net income (loss) per share, basic/diluted	$ (0.08)	$ (0.04)	$ (0.27)	$ (0.40)
Weighted average number of shares outstanding, basic/diluted	189,094,572	187,432,091	189,061,291	187,278,444
Distributions declared per share of common stock	$ -	$ 0.09	$ 0.03	$ 0.25

SEGMENT INFORMATION

(In thousands) (Unaudited)

Three Months Ended September 30, 2019	Direct Investments Net Lease	Direct Investments Operating	Unconsolidated Investments	Debt and Securities	Corporate	Total
Rental and resident fee income	$ 8,204	$ 64,489	$ -	$ -	$ -	$ 72,693
Net interest income on debt and securities	-	-	-	1,946	-	1,946
Other revenue	-	7	-	10	68	85
Property operating expenses	(5)	(45,354)	-	-	-	(45,359)
Interest expense	(3,025)	(14,193)	-	-	-	(17,218)
Transaction costs	-	(29)	-	-	-	(29)
Asset management and other fees - related party	-	-	-	-	(4,994)	(4,994)
General and administrative expenses	(47)	19	-	(10)	(2,769)	(2,807)
Depreciation and amortization	(3,595)	(12,569)	-	-	-	(16,164)
Impairment loss	-	-	-	-	-	-
Realized gain (loss) on investments and other	-	204	-	-	-	204
Equity in earnings (losses) of unconsolidated ventures	-	-	(3,037)	-	-	(3,037)
Income tax benefit (expense)	-	(17)	-	-	-	(17)
Net income (loss)	**$ 1,532**	**$ (7,443)**	**$ (3,037)**	**$ 1,946**	**$ (7,695)**	**$ (14,697)**

Nine Months Ended September 30, 2019	Direct Investments Net Lease	Direct Investments Operating	Unconsolidated Investments	Debt and Securities	Corporate	Total
Rental and resident fee income	$ 25,202	$ 193,624	$ -	$ -	$ -	$ 218,826
Net interest income on debt and securities	-	-	-	5,771	-	5,771
Other revenue	1	767	-	29	648	1,445
Property operating expenses	(5)	(135,208)	-	-	-	(135,213)
Interest expense	(9,424)	(42,382)	-	-	(102)	(51,908)
Transaction costs	-	(105)	-	-	-	(105)
Asset management and other fees - related party	-	-	-	-	(14,983)	(14,983)
General and administrative expenses	(159)	(17)	-	(28)	(8,006)	(8,210)
Depreciation and amortization	(10,657)	(43,868)	-	-	-	(54,525)
Impairment loss	(146)	(10,000)	-	-	-	(10,146)
Realized gain (loss) on investments and other	5,871	431	-	-	(376)	5,926
Equity in earnings (losses) of unconsolidated ventures	-	-	(7,666)	-	-	(7,666)
Income tax benefit (expense)	-	(38)	-	-	-	(38)
Net income (loss)	**$ 10,683**	**$ (36,796)**	**$ (7,666)**	**$ 5,772**	**$ (22,819)**	**$ (50,826)**

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(In thousands) (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Funds from operations:				
Net income (loss) attributable to NHI	$ (14,624)	$ (6,604)	$ (50,387)	$ (74,366)
Adjustments:				
Depreciation and amortization	16,164	25,629	54,525	81,943
Impairment loss	-	-	10,146	4,514
Depreciation and amortization related to unconsolidated ventures	7,942	8,941	23,802	25,676
Depreciation and amortization related to non-controlling interests	(158)	(170)	(471)	(629)
Impairment loss on real estated related to non-controlling interests	-	-	(300)	(62)
Realized (gain) loss from sales of property	-	(63)	(6,104)	(63)
Realized (gain) loss from sales of property related to unconsolidated ventures	-	(9)	(85)	2,713
Impairment losses of depreciable real estate held by unconsolidated ventures	1,102	990	1,617	1,316
Funds from operations attributable to NHI	**$ 10,426**	**$ 28,716**	**$ 32,743**	**$ 41,044**
Modified funds from operations:				
Funds from operations attributable to NHI	$ 10,426	$ 28,716	$ 32,743	$ 41,044
Adjustments				
Acquisition fees and transaction costs	29	-	105	796
Straight-line rental (income) loss	(50)	(248)	(478)	628
Amortization of premiums, discounts and fees on investments and borrowings	1,235	1,184	3,673	3,588
Amortization of discounts on healthcare-related securities	-	-	-	314
Adjustments related to unconsolidated ventures	2,490	(17,159)	8,693	(5,653)
Adjustments related to non-controlling interests	(6)	10	(21)	(29)
Realized (gain) loss on investments and other	(204)	(663)	178	(4,158)
Impairment of assets other than real estate	-	-	-	725
Modified funds from operations attributable to NHI	**$ 13,920**	**$ 11,840**	**$ 44,893**	**$ 37,255**

FOOTNOTES

NorthStar HEALTHCARE INCOME

Page 5 – Our Investments

1) Classification based on predominant services provided, but may include other services.
2) Excludes properties held for sale.
3) Amounts shown in thousands, 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 nine 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 leading management company of IL, AL and MC 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.

Page 7 – Key Portfolio Metrics

1) Our charter limits us from incurring borrowings that would exceed 300.0% of our net assets. We cannot exceed this limit unless any excess in borrowing over such level is approved by a majority of our independent directors. We would need to disclose any such approval to our stockholders in our next quarterly report along with the justification for such excess. An approximation of this leverage limitation, excluding indirect leverage held through our unconsolidated joint venture investments and any securitized mortgage obligations to third parties, is 75.0% of our assets, other than intangibles, before deducting loan loss reserves, other noncash reserves and depreciation. As of September 30, 2019, our leverage was 61.4% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation.
2) Represents cash used for repayments and capital expenditures for operating real estate investments during the nine months ended September 30, 2019.
3) Represents rooms for assisted living and independent living facilities and beds for memory care and skilled nursing facilities, based on predominant type.
4) Solstice is a joint venture of which affiliates of ISL own 80%.
5) In May 2019, we sold the two properties leased to Peregrine Senior Living.
6) Tenant has failed to remit rental payments during the nine months ended September 30, 2019. Properties and unit counts exclude one property held for sale.
7) Consists primarily of interest income earned on corporate-level cash accounts.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS

NorthStar HEALTHCARE INCOME

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

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

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

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

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

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

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS (CONT.)

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

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

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

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

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.

COMPANY INFORMATION

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries, was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, which the Company defines as assisted living, memory care, skilled nursing, independent living facilities and continuing care retirement communities, which may have independent living, assisted living, skilled nursing and memory care available on one campus. The Company also invests in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company’s investments are predominantly in the United States, but it also selectively makes international investments. The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

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