# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

### **CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2012

## BLACKBAUD, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-50600 (Commission File Number) 11-2617163 (IRS Employer ID Number)

2000 Daniel Island Drive, Charleston, South Carolina 29492 (Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (843) 216-6200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

#### Item 2.02. Results of Operations and Financial Condition.

On August 7, 2012, Blackbaud, Inc. issued a press release reporting unaudited financial results for the quarter ended June 30, 2012. A copy of this press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

#### Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No. Description

99.1 Press release dated August 7, 2012 reporting unaudited financial results for the quarter ended June 30, 2012.

### **SIGNATURES**

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

BLACKBAUD, INC.

Date: August 7, 2012 /s/ Anthony W. Boor

Anthony W. Boor,

Senior Vice President and Chief Financial Officer

#### Blackbaud, Inc. Announces Second Quarter 2012 Results

Announces Third Quarter 2012 Dividend

**CHARLESTON, S.C. – August 7, 2012** – Blackbaud, Inc. (Nasdaq: BLKB), the leading global provider of software and services for nonprofits, today announced financial results for its second quarter ended June 30, 2012.

"Blackbaud delivered second quarter financial results that were consistent with our guidance for standalone Blackbaud and made significant progress on integrating the Convio acquisition, despite increased macroeconomic headwinds," stated Marc Chardon, Chief Executive Officer for Blackbaud.

Chardon added, "Over the last few months, we have made significant progress integrating Convio's employees and operations into Blackbaud. Market reception to our combination has been favorable, and we are excited to be in a unique position of delivering the industry's leading CRM and online fundraising solutions from a single vendor. We believe that Blackbaud will increasingly be recognized as the vendor of choice to serve the multi-channel supporter engagement needs of nonprofit organizations."

#### Second Quarter 2012 GAAP Financial Results: Consolidated

Blackbaud reported total revenue of \$110.2 million for the second quarter of 2012, an increase of 17% compared to \$93.8 million for the second quarter of 2011. GAAP loss from operations and net loss were \$(1.9) million and \$(2.3) million, respectively, compared with GAAP income from operations of \$14.5 million and net income of \$9.4 million, respectively, for the second quarter of 2011. Diluted loss per share was \$(0.05) for the second quarter of 2012, compared with diluted earnings per share of \$0.21 in the same period last year.

### Second Quarter 2012 Non-GAAP Financial Results: Consolidated

Blackbaud reported total non-GAAP revenue of \$113.7 million for the second quarter of 2012. Non-GAAP income from operations, which excludes write-down of Convio deferred revenue, stock-based compensation expense, amortization of intangibles arising from business combinations, acquisition and integration related expenses, impairment of cost method investment, write-off of prepaid proprietary software licenses and gain on sale of assets, was \$19.3 million for the second quarter of 2012, compared to \$19.9 million in the same period last year. Non-GAAP net income was \$10.8 million for the second quarter of 2012, compared to \$12.3 million in the same period last year. Non-GAAP diluted earnings per share were \$0.24 for the second quarter of 2012, compared to \$0.28 in the same period last year.

A reconciliation between GAAP and non-GAAP results has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

#### Second Quarter 2012 Non-GAAP Financial Results: Blackbaud Standalone

On a standalone basis, Blackbaud generated total revenue of \$99.6 million, an increase of 6% on a year-over-year basis and consistent with the company's previously issued guidance range of \$99 million to \$102 million. Non-GAAP income from operations was \$17.1 million for the second quarter of 2012. This compared to \$19.9 million in the same period last year and was generally consistent with the company's previously issued guidance range of \$15.5 million to \$17.0 million.

A reconciliation between Blackbaud's standalone GAAP and non-GAAP results has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Tony Boor, Chief Financial Officer of Blackbaud, stated, "The second half of 2012 represents a transition period as we continue to take action on numerous plans to capitalize on the synergies between Blackbaud and Convio. The majority of the benefits we expect to realize as a result of our efforts, from both a growth and cost synergies perspective, are expected to occur during 2013 and beyond as a result of the longer than expected regulatory review process for the acquisition."

#### **Consolidated Balance Sheet and Cash Flow**

The Company ended the second quarter with \$21.2 million in cash, compared to \$46.0 million at the end of the first quarter. The Company ended the second quarter with \$259.6 million of debt, which reflects the drawing down of credit facility for the acquisition of Convio. The Company generated \$10.9 million in cash flow from operations during the second quarter, returned \$10.8 million to stockholders by way of dividend and invested \$11.6 million in capital expenditures.

#### **Dividend and Share Repurchase Program**

Blackbaud announced today that its Board of Directors has approved a third quarter 2012 dividend of \$0.12 per share payable on September 14, 2012, to stockholders of record on August 28, 2012. Additionally, as of June 30, 2012, \$50.0 million remained available under the Company's share repurchase program.

#### **Conference Call Details**

Blackbaud will host a conference call today, August 7, 2012, at 5:00 p.m. (Eastern Time) to discuss the Company's financial results, operations and related matters. To access this call, dial 877-407-3982 (domestic) or 201-493-6780 (international). A replay of this conference call will be available through August 14, 2012, at 877-870-5176 (domestic) or 858-384-5517 (international). The replay passcode is 397056. A live webcast of this conference call will be available on the "Investor Relations" page of the Company's website at <a href="https://www.blackbaud.com/investorrelations">www.blackbaud.com/investorrelations</a>, and a replay will be archived on the website as well.

#### **About Blackbaud**

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ:BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 27,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare, and other charitable causes. The Company offers a full spectrum of cloud-based and onpremise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Blackbaud has been recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work. Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, and in Australia, Canada, Mexico, the Netherlands, and the United Kingdom. For more information, visit <a href="https://www.blackbaud.com">www.blackbaud.com</a>.

#### Forward-looking Statements

Except for historical information, all of the statements, expectations, and assumptions contained in this news release are forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding: market acceptance of Blackbaud's acquisition of Convio and the resulting unique product offering position; Blackbaud's ability to achieve its synergy targets and the timing of the benefits. These statements involve a number of risks and uncertainties; Blackbaud's ability to serve the multi-channel supporter engagement needs of nonprofit organizations; and macroeconomic trends and their effects on Blackbaud and nonprofits. Although Blackbaud attempts to be accurate in making these forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause results to differ materially include the following: management of integration of acquired companies and other risks associated with acquisitions; general economic risks; uncertainty regarding increased business and renewals from existing

customers; continued success in sales growth; risks associated with successful implementation of multiple integrated software products; the ability to attract and retain key personnel; risks related to our dividend policy and share repurchase program, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; risks relating to restrictions imposed by the credit facility; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge at the SEC's website at <a href="https://www.sec.gov">www.sec.gov</a> or upon request from Blackbaud's investor relations department. Blackbaud assumes no obligation and does not intend to update these forward-looking statements, except as required by law. All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc.

#### Non-GAAP Financial Measures

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes consolidated non-GAAP income from operations, consolidated non-GAAP net income, consolidated non-GAAP diluted earnings per share, and Blackbaud standalone non-GAAP income from operations. Blackbaud uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Blackbaud's ongoing operational performance. Blackbaud believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial results with other companies in Blackbaud's industry, many of which present similar non-GAAP financial measures to investors. As noted, the non-GAAP financial results discussed above exclude: a write-down of Convio deferred revenue, stock-based compensation expense; costs associated with amortization of intangibles arising from business combinations; a write-off of prepaid proprietary software licenses; acquisition and integration related expenses; a charge associated with impairment of cost method investment; and, a gain in connection with the sale of assets. We use these measures and believe them useful to investors because they provide additional insight in comparing results from period to period.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. As previously mentioned, a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

#### **Investor Contact:**

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or

Brian Denyeau ICR <u>brian.denyeau@icrinc.com</u> 646-277-1251

### **Media Contact:**

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SOURCE: Blackbaud, Inc.

### Blackbaud, Inc. Consolidated balance sheets (Unaudited)

(in thousands, except share amounts)	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,192	\$ 52,520
Donor restricted cash	18,314	40,205
Accounts receivable, net of allowance of \$4,208 and \$3,913 at June 30, 2012 and December 31, 2011, respectively	89,208	62,656
Prepaid expenses and other current assets	44,229	31,016
Deferred tax asset, current portion	1,959	1,551
Total current assets	174,902	187,948
Property and equipment, net	43,980	34,397
Deferred tax asset	774	29,376
Goodwill	262,568	90,122
Intangible assets, net	177,747	44,660
Other assets	8,458	6,087
Total assets	\$ 668,429	\$ 392,590
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 17,594	\$ 13,464
Accrued expenses and other current liabilities	37,506	32,707
Donations payable	18,314	40,205
Debt, current portion	165,000	_
Deferred revenue, current portion	175,076	153,665
Total current liabilities	413,490	240,041
Long-term debt, net of current portion	94,600	_
Deferred tax liability	1,348	_
Deferred revenue, net of current portion	9,177	9,772
Other liabilities	3,137	2,775
Total liabilities	521,752	252,588
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	_	_
Common stock, \$0.001 par value; 180,000,000 shares authorized, 54,240,408 and 53,959,532 shares issued at June 30,		
2012 and December 31, 2011, respectively	54	54
Additional paid-in capital	194,254	175,401
Treasury stock, at cost; 9,065,862 and 9,019,824 shares at June 30, 2012 and December 31, 2011, respectively	(167,646)	(166,226)
Accumulated other comprehensive loss	(1,601)	(1,148)
Retained earnings	121,616	131,921
Total stockholders' equity	146,677	140,002
Total liabilities and stockholders' equity	\$ 668,429	\$ 392,590

# Blackbaud, Inc. Consolidated statements of comprehensive income (Unaudited)

		Three months	ended Jui	1e 30,			hs ended June 30,	
(in thousands, except share and per share amounts)	_	2012		2011	2012		2011	
Revenue								
License fees	\$	4,521	\$	5,097	\$	11,689	\$	9,648
Subscriptions		37,923		25,885		65,985		49,802
Services		31,790		28,332		55,748		53,311
Maintenance		33,880		32,610		67,446		64,443
Other revenue		2,076		1,858		4,028		3,206
Total revenue		110,190		93,782		204,896		180,410
Cost of revenue				<u>.</u>				
Cost of license fees		821		1,062		1,434		1,782
Cost of subscriptions		16,561		10,473		29,535		19,635
Cost of services		25,299		20,307		45,341		39,181
Cost of maintenance		6,178		6,035		12,155		12,286
Cost of other revenue		1,646		1,411		3,115		2,545
Total cost of revenue		50,505		39,288		91,580		75,429
Gross profit		59,685		54,494		113,316		104,981
Operating expenses								
Sales and marketing		24,223		19,058		44,600		38,336
Research and development		14,856		11,527		28,160		23,493
General and administrative		21,753		9,176		36,254		18,378
Impairment of cost method investment		200				200		
Amortization		530		246		727		479
Total operating expenses	<u></u>	61,562		40,007		109,941		80,686
Income (loss) from operations		(1,877)		14,487		3,375		24,295
Interest income		33		45		80		78
Interest expense		(1,462)		(60)		(1,653)		(84)
Other (expense) income, net		(140)		216		(448)		285
Income (loss) before provision for income taxes		(3,446)		14,688		1,354		24,574
Income tax provision (benefit)		(1,175)		5,326		866		7,919
Net income (loss)	\$	(2,271)	\$	9,362	\$	488	\$	16,655
Earnings (loss) per share	<u>-</u>	(=,=:=)	<u> </u>		<u> </u>		<u> </u>	
Basic Basic	\$	(0.05)	\$	0.22	\$	0.01	\$	0.38
Diluted	\$	(0.05)	\$	0.22	\$	0.01	\$	0.38
Common shares and equivalents outstanding	Ψ	(0.03)	Ψ	0.21	Ψ	0.01	Ψ	0.50
Basic weighted average shares	1	4,112,905	/13	,447,007	11	,023,650	45	3,399,874
Diluted weighted average shares		4,112,905	44.098.046				44.004.712	
Dividends per share	\$	0.12	\$	0.12	\$	0.24	\$	0.24
Other comprehensive income (loss)	Ψ	0,14	Ψ	0.12	Ψ	U,4-T	Ψ	0.24
Foreign currency translation adjustment		(168)		(87)		111		169
Unrealized loss on derivative instruments, net of tax		(564)		—		(564)		
Comprehensive income (loss)	\$	(3,003)	\$	9,275	\$	35	\$	16.924
Comprehensive mcome (1088)	<u> </u>	(3,003)	Ф	9,275	Ф	33	Ф	16,824

# Blackbaud, Inc. Consolidated statements of cash flows (Unaudited)

	Six months en	ded June 30,
(in thousands)	2012	2011
Cash flows from operating activities	<b>*</b> 400	A 10.055
Net income	\$ 488	\$ 16,655
Adjustments to reconcile net income to net cash provided by operating activities:	40.000	0.450
Depreciation and amortization	12,223	8,170
Provision for doubtful accounts and sales returns	2,511	2,366
Stock-based compensation expense	9,624	7,325
Excess tax benefits from stock-based compensation	(340)	(226)
Deferred taxes	464	3,188
Impairment of cost method investment	200	
Gain on sale of assets	<del>_</del>	(549)
Other non-cash adjustments	177	(68)
Changes in operating assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(16,135)	(10,580)
Prepaid expenses and other assets	(7,268)	3,602
Trade accounts payable	643	1,355
Accrued expenses and other liabilities	(4,692)	(2,132)
Donor restricted cash	21,868	5,540
Donations payable	(21,868)	(5,540)
Deferred revenue	13,054	9,246
Net cash provided by operating activities	10,949	38,352
Cash flows from investing activities		
Purchase of property and equipment	(11,568)	(7,703)
Purchase of net assets of acquired companies, net of cash acquired	(280,095)	(16,475)
Capitalized software development costs	(235)	(506)
Proceeds from sale of assets		719
Net cash used in investing activities	(291,898)	(23,965)
Cash flows from financing activities		
Proceeds from issuance of debt	312,000	
Payments on debt	(52,400)	_
Payments of deferred financing costs	(2,440)	(767)
Proceeds from exercise of stock options	2,984	1,925
Excess tax benefits from stock-based compensation	340	226
Dividend payments to stockholders	(10,830)	(10,686)
Payments on capital lease obligations	_	(25)
Net cash provided by (used in) financing activities	249,654	(9,327)
Effect of exchange rate on cash and cash equivalents	(33)	363
Net increase (decrease) in cash and cash equivalents	(31,328)	5,423
Cash and cash equivalents, beginning of period	52,520	28,004
Cash and cash equivalents, end of period	\$ 21,192	\$ 33,427

# Blackbaud, Inc. Reconciliation of GAAP to Non-GAAP financial measures (Unaudited)

GAP income (loss) from operations         \$ (1,677)         \$ 14,467         \$ 3,375         \$ 24,295           Non-GAP adjustments:         Add: Cond/ odeferred revenue writedown         3,468         —         3,468         —         3,468         —         3,468         —         3,253         9,524         7,325         Add: Acquisition-claded expenses         4,244         —         6,427         1,034         Add: Acquisition-related expenses         350         —         350         —         -         4,024         1,034         Add: Acquisition-related expenses         350         —         350         —         -	(in the count of account on the country)	Three months en			ended June 30,	
Non-GAAP adjustments						
Add black Curvis deferred revenue writedown		Ψ 110,130	Ψ 33,762	Ψ204,030	ψ100,410	
Total Non-GAAP adjustments         3,40%         — 3,40%         — 5,00%           Non-GAAP revenee         \$ 13,16%         \$ 9,4782         20,00%         \$ 18,00%           CANP yees profit         \$ 50,805         \$ 5,46%         \$ 113,00%         \$ 113,00%         \$ 113,00%         \$ 113,00%         \$ 10,		3,468	_	3,468	_	
Non-GAAP revenue   \$1,136.81   \$3,072   \$20,04   \$10,04     CAAP gross profit   \$1,06   \$1,06   \$1,06   \$1,00   \$10,00     Add: Complexation expenses   \$1,00   \$1,00   \$1,00   \$1,00     Add: Stock-based compensation expenses   \$1,00   \$1,00   \$1,00   \$1,00     Add: Stock-based compensation expenses   \$1,00   \$1,00   \$1,00   \$1,00   \$1,00     Add: Write-off of peptald progrietary software liceases   \$1,00   \$1						
Sample   S	,		\$ 93,782		\$180,410	
Non-CAAP and instruments	GAAP gross profit				\$104 981	
Add: Convio deferred revenue writerdown         3,468         —         1,636         1,613		Ψ 55,005	Ψ 31,131	Ψ115,510	Ψ101,501	
Addit Stock-based compensation expenses   899   810   1,638   3,204   2,204   Addit Articulation of Integral proprietary software literases   350     350     4870   1,6487		3,468	<u>—</u>	3,468	_	
Activities of operand proprietary software licenses	Add: Stock-based compensation expense		810	1,683	1,611	
Total Non-GAP adjustmens         8,844         2,446         10,475         \$18,085         \$10,816         \$12,161         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$18,085         \$28,285 </td <td>Add: Amortization of intangibles from business combinations</td> <td>3,567</td> <td>1,636</td> <td>5,346</td> <td>3,259</td>	Add: Amortization of intangibles from business combinations	3,567	1,636	5,346	3,259	
Non-GAAP gross parelyin         \$67,000         \$61,000	Add: Write-off of prepaid proprietary software licenses	350	_	350	_	
Non-GAAP gross margin         66%         61%         66%         62%           GAAP income (loss) from operations         \$1,877         \$1,487         \$3,375         \$2,425           Non-GAAP dissiments:         ************************************	Total Non-GAAP adjustments	8,284	2,446	10,847	4,870	
GAP income (loss) from operations         \$ (1,677)         \$ 14,467         \$ 3,375         \$ 24,295           Non-GAP adjustments:         Add: Cond/ odeferred revenue writedown         3,468         —         3,468         —         3,468         —         3,468         —         3,253         9,524         7,325         Add: Acquisition-claded expenses         4,244         —         6,427         1,034         Add: Acquisition-related expenses         350         —         350         —         -         4,024         1,034         Add: Acquisition-related expenses         350         —         350         —         -	Non-GAAP gross profit	\$ 67,969	\$ 56,940	\$124,163	\$109,851	
Non-GAP adjustments         3,468         —         3,468         —           Add: Stock-based compensation expense         5,788         3,530         9,624         7,326           Add: Stock-based compensation expense         4,097         1,826         6,073         3,736           Add: Add Amortization of intangibles from business combinations         4,024         —         6,427         1,054           Add: Add Acquisition integration costs         3,029         —         3,029         —           Add: Add Equisition integration costs         3,029         —         200         —           Add: Write-off of prepaid proprietary software licenses         350         —         639         —         649           Add: Impairment of cost method investment         20         —         20         —         161         5412         29,171         11,509         152,071         11,509         13,509         3,536         3,536         3,536         3,536         3,536         3,536         3,536         3,536         3,536         3,536         3,530         —         4,649         3,156         3,530         3,530         3,530         3,530         3,530         3,530         3,530         3,530         3,536         3,536         3,537<	Non-GAAP gross margin	60%	61%	60%	61%	
Add: Convio deferent revenue writedown         3,468         —         3,468         —         3,468         7,26           Add: Add: Amortization of intangibles from business combinations         4,097         1,882         6,073         3,738           Add: Acquisition-related expenses         4,244         —         6,427         1,054           Add: Acquisition-related expenses         3,002         —         350         —           Add: Write-off of prepaid proprietary software licenses         350         —         350         —           Add: Injustion integration costs         —         —         —         —         (300)           Add: Injustion of selection of selection shall of resemble diversement         —         —         —         —         —         (490)           Add: Injustion of Sala of assets         — <t< td=""><td>GAAP income (loss) from operations</td><td>\$ (1,877)</td><td>\$ 14,487</td><td>\$ 3,375</td><td>\$ 24,295</td></t<>	GAAP income (loss) from operations	\$ (1,877)	\$ 14,487	\$ 3,375	\$ 24,295	
Add: Stock-based compensation expense         5,788         3,530         9,624         7,326           Add: Add: Acquisition-related expenses         4,044         —         6,427         1,054           Add: Acquisition-related expenses         4,244         —         6,427         1,054           Add: Acquisition integration costs         3,029         —         300         —           Add: Write-off of prepaid proprietary software licenses         350         —         350         —           Add: Groppia proprietary software licenses         350         —         300         —           Add: Groppia proprietary software licenses         350         —         200         —           Less: Gain on sale of assets         —         —         —         (649)           Total Non-GAAP adjustments         21,176         5,1829         51,898         53,864           Non-GAAP experating margin         1,78         21,93         52,548         51,655           Add: Total Non-GAAP adjustments         21,75         5,1829         51,865         51,655           Non-GAAP adjustments         2,80         5,1829         51,655         52,646         34,050         44,055         44,055         44,055         44,055         44,055	Non-GAAP adjustments:					
Add: Amortization of intangibles from business combinations         4,097         1,882         6,073         3,738           Add: Add: Acquisition-related expenses         4,244         — 6,427         1,054           Add: Acquisition integration costs         3,029         —         3,029         —           Add: Impairment of cost method investment         200         —         0.00         —           Add: Impairment of cost method investment         200         —         0.04           Add: Impairment of cost method investment         200         —         0.04           Add: Injustment of cost method investment         20176         5,412         29,171         11,509           Total Non-GAAP adjustments         21,176         5,412         29,171         11,509           Non-GAP income from operations         2,1271         9,302         6,488         16,655           Non-GAP adjustments         8,027         5,412         29,171         11,509           Less: Tax impact related to Non-GAAP adjustments         8,009         2,514         (1,039)         6,162           Non-GAAP adjustments         8,009         2,512         3,00         3,00           Shares used in computing Non-GAAP adjustments         4,239         4,00         3,00					_	
Add: Acquisition-leated expenses         4,244         —         6,47         1,054           Add: Acquisition integration costs         3,029         —         3,029         —         3,029         —         3,029         —         3,029         —         3,020         —         2,00         —         —         6,00         8,00         8,00         8,00         8,00         8,00         8,00         9,00         9,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00         6,00         9,00 <td></td> <td></td> <td></td> <td></td> <td></td>						
Add: Acquisition integration costs         3,029         —         3,029         —           Add: Write-off of prepaid proprietary software licenses         350         —         350         —           Add: Impairment of cost method investment         200         —         200         —           Total Non-GAAP adjustments         21,76         5,412         29,171         11,569           Non-GAAP income from operations         11,78         5,129         9,32,546         \$35,864           Non-GAAP operating margin         1,79         9,302         \$48         \$16,655           CAAP net income (loss)         (2,21)         9,302         \$48         \$16,655           Non-GAAP adjustments         (2,13)         5,412         29,171         11,659           Les: Tax impact related to Non-GAAP adjustments         (8,090)         2,514         (10,39)         (6,168)           Non-GAAP adjustments         (8,090)         2,514         (10,39)         (6,168)           Non-GAAP interior         \$10,815         \$1,269         \$18,620         \$22,046           Share sur in computing Non-GAAP diluted earnings per share         \$10,815         \$1,269         \$1,862         \$22,046           Non-GAAP diluted earnings per share         \$2,20	9		1,882			
Add: Write-off of prepaid proprietary software licenses         350         —         350         —           Add: Impairment of cost method investment         200         —         204         —         104         —					1,054	
Add: Impairment of cost method investment         200         —         200         —         5.45         —         5.45         —         5.45         —         5.45         —         5.45         —         5.45         —         5.45         —         5.45         —         5.45         —         5.36         <			_		_	
Less: Gain on sale of assers         —			_			
Total Non-GAAP adjustments         21,176         5,412         29,171         11,569           Non-GAAP income from operations         19,299         51,939         52,564         53,568           Kon-GAAP operating margin         2(2,271)         59,362         348         51,655           Conday adjustments         3(2,271)         5,412         29,171         1,565           Non-GAAP adjustments         (8,090)         2,514         (10,39)         61,781           Less: Tax impact related to Non-GAAP adjustments         (8,090)         12,176         5,412         29,171         11,569           Less: Tax impact related to Non-GAAP adjustments         (8,090)         12,126         18,600         20,400         18,600         18,600         18,000<	•	200	_	200	— (F.40)	
Non-GAAP income from operations         5 19,99         \$19,899         \$23,64         \$36,66           Non-GAAP operating margin         10°         21°         21°         20°           GAAP net income (loss)         \$0,20°         \$3,932         \$48°         \$20°           Non-GAAP dijustments         \$21,17°         \$412         \$9,17°         \$1,60°           Non-GAAP adjustments         \$10,80°         \$2,12°         \$1,010°         \$2,00°         \$1,00°		21 176				
Non-GAAP operating margin         17%         21%         16%         20%           GAAP net income (loss)         \$ (2.27)         \$ 3,362         \$ 488         \$ 16,655           Non-GAAP adjustments         \$ (2.27)         \$ 3,362         \$ 488         \$ 16,655           Non-GAAP adjustments affecting income from operations         21,176         5,412         29,171         11,569           Less: Tax impact related to Non-GAAP adjustments         \$ 10,809         \$ 2,514         \$ 11,039         \$ 61,788           Non-GAAP diluted carnings per share         \$ 10,813         \$ 14,039         \$ 14,039         \$ 20,20         \$ 20,20           Non-GAAP diluted carnings per share         \$ 14,739         \$ 44,039         \$ 40,000         \$ 20,20         \$ 5,00           Non-GAAP diluted carnings per share         \$ 14,039         \$ 44,000         \$ 20,20<	·					
GAAP net income (loss)         \$ (2,271)         \$ 9,362         \$ 488         \$ 16,655           Non-GAAP adjustments         ***         ** </td <td>-</td> <td></td> <td></td> <td></td> <td></td>	-					
Non-GAAP adjustments         21,176         5.412         29,171         1,166           Less: Rx impact related to Non-GAAP adjustments         (8,090)         (2,514)         (11,039)         (6,178)           Non-GAAP net income         \$10,815         \$12,200         \$18,620         \$22,046           Shares used in computing Non-GAAP diluted earnings per share         \$0,24         \$0,28         \$0,42         \$0,50           Non-GAAP diluted earnings per share         \$0,24         \$0,28         \$0,42         \$0,50           Detail of Non-GAAP dijustments         \$0,24         \$0,28         \$0,42         \$0,50           Stock-based compensation expenses         \$0,245         \$0,28         \$0,42         \$0,50           Cost of subscriptions         \$245         \$255         \$426         \$3,27           Cost of subscriptions         \$245         \$225         \$426         \$3,27           Cost of subscriptions         \$245         \$245         \$246         \$3,27           Cost of subscriptions         \$245         \$225         \$426         \$3,27           Cost of subscriptions         \$245         \$225         \$426         \$3,27           Quality (Stock)         \$245         \$225         \$426         \$1,24	Non-GAAP operating margin	<u>17</u> %		<u>16</u> %	20%	
Add: Total Non-GAAP adjustments affecting income from operations         21,176         5,412         29,171         11,569           Less: Tax impact related to Non-GAAP adjustments         8,0809         (2,514)         (11,039)         (6,788)           Non-GAAP net income         \$10,815         \$12,060         \$18,620         \$2,046           Shares used in computing Non-GAAP diluted earnings per share         44,733         44,098         44,600         44,005           Non-GAAP diluted earnings per share         \$0.24         \$0.28         \$0.42         \$0.50           Detail of Non-GAAP dijustments           Stock-based compensation expenses:           Cost of subscriptions         \$245         \$225         \$426         \$327           Cost of subscriptions         \$245         \$25         \$426         \$327           Cost of services         \$565         \$47         \$1,057         904           Cost of maintenance         \$89         \$10         \$1,683         \$1,611           Operating expenses         \$25         \$426         \$327           Sales and marketing         \$63         \$27         \$1,020         \$29           Research and development         \$47         \$67         \$1,48         \$1,514 </td <td>GAAP net income (loss)</td> <td>\$ (2,271)</td> <td>\$ 9,362</td> <td>\$ 488</td> <td>\$ 16,655</td>	GAAP net income (loss)	\$ (2,271)	\$ 9,362	\$ 488	\$ 16,655	
Less: Tax impact related to Non-GAAP adjustments         (8,090)         (2,514)         (11,039)         (6,178)           Non-GAAP net income         \$10,815         \$12,260         \$18,620         \$2,046           Shares used in computing Non-GAAP diluted earnings per share         \$4,739         \$4,098         \$4,600         \$4,000           Non-GAAP diluted earnings per share         \$0.24         \$0.28         \$0.22         \$0.20           Detail of Non-GAAP adjustments:           Stock-based compensation expense:           Cost of review           Cost of reviews         \$245         \$225         \$466         \$327           Cost of subscriptions         \$89         \$13         200         380           Cost of services         \$655         \$447         1,057         904           Cost of subscriptions         \$89         \$18         20         380           Subtotal         \$89         \$18         \$163         \$163         \$161           Operating expenses         \$245         \$225         \$426         \$327         \$20         380         380         380         380         380         380         380         380         380         380         380         380 <td><b>J</b></td> <td></td> <td></td> <td></td> <td></td>	<b>J</b>					
Non-GAAP net income         5 10,815         \$ 12,260         \$ 18,620         \$ 22,046           Shares used in computing Non-GAAP diluted earnings per share         44,739         44,089         44,660         44,005           Non-GAAP diluted earnings per share         5 0.24         \$ 0.28         \$ 0.42         \$ 0.50           Detail of Non-GAAP adjustments         8 0.24         \$ 0.28         \$ 0.42         \$ 0.50           Stock-based compensation expenses         8 245         \$ 225         \$ 446         \$ 327           Cost of revenue         5 565         447         1,057         900         380         380         200         380         380         200         380         380         200         380         380         200         380 <td></td> <td></td> <td></td> <td></td> <td></td>						
Shares used in computing Non-GAAP diluted earnings per share         44,739         44,008         44,600         44,000         50.00 <td>•</td> <td></td> <td></td> <td></td> <td></td>	•					
Non-GAAP diluted earnings per share         5.0.2         5.0.2         5.0.2           Detail of Non-GAAP adjustments:           Stock-based compensation expenses:           Cost of revenue           Cost of subscriptions         2.245         \$.225         \$.426         \$.327           Cost of services         565         447         1,057         904           Cost of maintenance         389         138         200         380           Subtotal         899         138         200         380           Operating expenses         89         138         200         380           Operating expenses         89         170         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Amortization of intangibles from business combinations         5,788         3,530         9,624         7,326           Cost of license fees         124         \$156         247         812           Cost of subscriptions         2,726	Non-GAAP net income	\$ 10,815	\$ 12,260	\$ 18,620	\$ 22,046	
Detail of Non-GAAP adjustments:           Stock-based compensation expense:           Cost of revenue           Cost of subscriptions         \$ 245         \$ 225         \$ 426         \$ 327           Cost of services         565         447         1,057         904           Cost of maintenance         89         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         5,788         3,530         9,024         7,326           Amortization of intangibles from business combinations         5,788         3,530         9,024         7,326           Cost of icense fees         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617	Shares used in computing Non-GAAP diluted earnings per share	44,739	44,098	44,660	44,005	
Stock-based compensation expenses:           Cost of revenue         \$ 245         \$ 225         \$ 426         \$ 327           Cost of subscriptions         \$ 565         \$ 447         1,057         904           Cost of services         89         138         200         380           Subtotal         899         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Sales and marketing         603         272         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           To a total stock-based compensation expense         5,788         3,530         9,624         7,326           Amortization of intangibles from business combinations         2,706         816         3,688         1,617           Cost of license fees         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost	Non-GAAP diluted earnings per share	\$ 0.24	\$ 0.28	\$ 0.42	\$ 0.50	
Stock-based compensation expenses:           Cost of revenue         \$ 245         \$ 225         \$ 426         \$ 327           Cost of subscriptions         \$ 565         \$ 447         1,057         904           Cost of services         89         138         200         380           Subtotal         899         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Sales and marketing         603         272         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           To a total stock-based compensation expense         5,788         3,530         9,624         7,326           Amortization of intangibles from business combinations         2,706         816         3,688         1,617           Cost of license fees         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost	Detail of Non-GAAP adjustments:					
Cost of revenue         \$ 245         \$ 225         \$ 426         \$ 327           Cost of services         565         447         1,057         904           Cost of maintenance         89         138         200         380           Subtotal         899         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Operating expenses         80         272         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Subtotal         5,788         3,530         9,624         5,736           Amortization of intangibles from business combinations         8         3,530         9,624         5,736           Cost of license fees         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of services         468         391         879         778	-					
Cost of services         565         447         1,057         904           Cost of maintenance         89         138         200         380           Subtotal         899         810         1,683         1,611           Operating expenses         887         872         1,020         629           Sales and marketing         603         272         1,020         629           Research and development         847         671         1,498         1,512           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         5,788         3,530         9,624         7,326           Amortization of intangibles from business combinations         2,706         816         3,688         1,617           Cost of license fees         \$124         \$156         \$247         \$321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of services         468         391         879         778           Cost of other revenue         19         20         38         38						
Cost of maintenance         89         138         200         380           Subtotal         899         810         1,683         1,611           Operating expenses         89         810         1,683         1,611           Sales and marketing         603         272         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         5,788         3,530         9,624         5,736           Amortization of intangibles from business combinations         8         3,500         9,624         5,736           Cost of revenue         8         1,514         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of subscriptions         2,706         816         3,688         1,617           Cost of subscriptions         2,706         816         3,688         1,617           Cost of other revenue         250         253		\$ 245	\$ 225	\$ 426	\$ 327	
Subtotal         899         810         1,683         1,611           Operating expenses         3         272         1,020         629           Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         \$ 5,788         \$ 3,530         \$ 9,624         \$ 7,326           Amortization of intangibles from business combinations         5         5,788         \$ 3,530         \$ 9,624         \$ 7,326           Cost of revenue         5         124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of services         468         391         879         778           Cost of maintenance         250         253         494         505           Cost of other revenue         19         20         38         38           Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246	Cost of services	565	447	1,057	904	
Operating expenses       603       272       1,020       629         Research and development       847       671       1,498       1,514         General and administrative       3,439       1,777       5,423       3,572         Subtotal       4,889       2,720       7,941       5,715         Total stock-based compensation expense       \$5,788       \$3,530       \$9,624       \$7,326         Amortization of intangibles from business combinations       5,788       \$1,500       \$9,624       \$7,326         Cost of license fees       \$124       \$156       \$247       \$321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	Cost of maintenance	89	138	200	380	
Sales and marketing       603       272       1,020       629         Research and development       847       671       1,498       1,514         General and administrative       3,439       1,777       5,423       3,572         Subtotal       4,889       2,720       7,941       5,715         Total stock-based compensation expense       \$ 5,788       \$ 3,530       \$ 9,624       \$ 7,326         Amortization of intangibles from business combinations         Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	Subtotal	899	810	1,683	1,611	
Research and development         847         671         1,498         1,514           General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         \$ 5,788         \$ 3,530         \$ 9,624         \$ 7,326           Amortization of intangibles from business combinations         Total cost of revenue           Cost of license fees         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of services         468         391         879         778           Cost of maintenance         250         253         494         505           Cost of other revenue         19         20         38         38           Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246         727         479	Operating expenses					
General and administrative         3,439         1,777         5,423         3,572           Subtotal         4,889         2,720         7,941         5,715           Total stock-based compensation expense         \$ 5,788         \$ 3,530         \$ 9,624         \$ 7,326           Amortization of intangibles from business combinations         Substailing the spenses         Substailing the spenses         Substailing the spenses         \$ 124         \$ 156         \$ 247         \$ 321           Cost of subscriptions         2,706         816         3,688         1,617           Cost of services         468         391         879         778           Cost of maintenance         250         253         494         505           Cost of other revenue         19         20         38         38           Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246         727         479						
Subtotal       4,889       2,720       7,941       5,715         Total stock-based compensation expense       \$ 5,788       \$ 3,530       \$ 9,624       \$ 7,326         Amortization of intangibles from business combinations       Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	-					
Total stock-based compensation expense       \$ 5,788       \$ 3,530       \$ 9,624       \$ 7,326         Amortization of intangibles from business combinations       Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479						
Amortization of intangibles from business combinations         Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	Subtotal	4,889	2,720	7,941	5,715	
Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	Total stock-based compensation expense	\$ 5,788	\$ 3,530	\$ 9,624	\$ 7,326	
Cost of revenue         Cost of license fees       \$ 124       \$ 156       \$ 247       \$ 321         Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479	Amortization of intangibles from business combinations					
Cost of subscriptions       2,706       816       3,688       1,617         Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479						
Cost of services       468       391       879       778         Cost of maintenance       250       253       494       505         Cost of other revenue       19       20       38       38         Subtotal       3,567       1,636       5,346       3,259         Operating expenses       530       246       727       479						
Cost of maintenance         250         253         494         505           Cost of other revenue         19         20         38         38           Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246         727         479	-					
Cost of other revenue         19         20         38         38           Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246         727         479						
Subtotal         3,567         1,636         5,346         3,259           Operating expenses         530         246         727         479						
Operating expenses         530         246         727         479						
Total amortization of intangibles from business combinations \$ 4,097 \$ 1,882 \$ 6,073 \$ 3,738		530				
	Total amortization of intangibles from business combinations	\$ 4,097	\$ 1,882	\$ 6,073	\$ 3,738	

# Blackbaud, Inc. Standalone Blackbaud Reconciliation of GAAP to Non-GAAP financial measures (Unaudited)

(in thousands, except per share amounts)	Three month	s ended June 30, 2012
GAAP revenue	\$	99,619
GAAP gross profit	\$	56,394
Non-GAAP adjustments:		
Add: Stock-based compensation expense		899
Add: Amortization of intangibles from business combinations		1,784
Add: Write-off of prepaid proprietary software licenses		350
Total Non-GAAP adjustments		3,033
Non-GAAP gross profit	\$	59,427
Non-GAAP gross margin		60%
GAAP income from operations	\$	2,461
Non-GAAP adjustments:		
Add: Stock-based compensation expense		5,788
Add: Amortization of intangibles from business combinations		1,954
Add: Acquisition-related expenses		4,244
Add: Acquisition integration costs		2,134
Add: Write-off of prepaid proprietary software licenses		350
Add: Impairment of cost method investment		200
Total Non-GAAP adjustments		14,670
Non-GAAP income from operations	\$	17,131
Non-GAAP operating margin		17%
GAAP net loss	\$	(2,271)
Non-GAAP adjustments:		
Add: Total Non-GAAP adjustments affecting income from operations		14,670
Less: Tax impact related to Non-GAAP adjustments	_	(2,877)
Non-GAAP net income	\$	9,522
Shares used in computing Non-GAAP diluted earnings per share		44,739
Non-GAAP diluted earnings per share	\$	0.21