UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________.

Commission file number: **000-50600**

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-2617163**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

65 Fairchild Street
Charleston, South Carolina 29492
(Address of principal executive offices, including zip code)
(843) 216-6200
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, $0.001 Par Value	**BLKB**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The number of shares of the registrant's Common Stock outstanding as of July 29, 2024 was 51,626,340.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the documents incorporated herein by reference, contains forward-looking statements that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These "forward-looking statements" are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements consist of, among other things, trend analyses, statements regarding future events, future financial performance, our anticipated growth, the effect of general economic and market conditions, our business strategy and our plan to build and grow our business, our operating results, our ability to successfully integrate acquired businesses and technologies, the effect of foreign currency exchange rate and interest rate fluctuations on our financial results, the impact of expensing stock-based compensation, the sufficiency of our capital resources, our ability to meet our ongoing debt and obligations as they become due, cybersecurity and data protection risks and related liabilities, and current or potential legal proceedings involving us, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of our management. Words such as “believes,” “seeks,” “expects,” “may,” “might,” “should,” “intends,” “could,” “would,” “likely,” “will,” “targets,” “plans,” “anticipates,” “aims,” “projects,” “estimates” or any variations of such words and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Accordingly, they should not be viewed as assurances of future performance, and actual results may differ materially and adversely from those expressed in any forward-looking statements.

Important factors that could cause actual results to differ materially from our expectations expressed in forward-looking statements include, but are not limited to, those summarized under “Part II, Item 1A. Risk factors” and elsewhere in this report, in our Annual Report on Form 10-K for the year ended December 31, 2023 and in our other filings made with the United States Securities & Exchange Commission ("SEC"). Forward-looking statements represent our management's beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Blackbaud, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(dollars in thousands, except per share amounts)	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 30,438	$ 31,251
Restricted cash	800,670	697,006
Accounts receivable, net of allowance of $6,006 and $6,907 at June 30, 2024 and December 31, 2023, respectively	152,832	101,862
Customer funds receivable	2,943	353
Prepaid expenses and other current assets	92,290	99,285
Total current assets	1,079,173	929,757
Property and equipment, net	98,066	98,689
Operating lease right-of-use assets	28,489	36,927
Software and content development costs, net	165,465	160,194
Goodwill	1,053,249	1,053,738
Intangible assets, net	549,521	581,937
Other assets	68,785	51,037
Total assets	$ 3,042,748	$ 2,912,279
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 44,038	$ 25,184
Accrued expenses and other current liabilities	51,682	64,322
Due to customers	802,372	695,842
Debt, current portion	23,786	19,259
Deferred revenue, current portion	427,098	392,530
Total current liabilities	1,348,976	1,197,137
Debt, net of current portion	998,071	760,405
Deferred tax liability	75,397	93,292
Deferred revenue, net of current portion	2,315	2,397
Operating lease liabilities, net of current portion	36,290	40,085
Other liabilities	4,362	10,258
Total liabilities	2,465,411	2,103,574
Commitments and contingencies (see Note 9)		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, $0.001 par value; 180,000,000 shares authorized, 70,883,488 and 69,188,304 shares issued at June 30, 2024 and December 31, 2023, respectively; 51,623,951 and 53,625,440 shares outstanding at June 30, 2024 and December 31, 2023, respectively	71	69
Additional paid-in capital	1,208,624	1,203,012
Treasury stock, at cost; 19,259,537 and 15,562,864 shares at June 30, 2024 and December 31, 2023, respectively	(857,452)	(591,557)
Accumulated other comprehensive income (loss)	175	(1,688)
Retained earnings	225,919	198,869
Total stockholders' equity	577,337	808,705
Total liabilities and stockholders' equity	$ 3,042,748	$ 2,912,279

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands, except per share amounts)	2024	2023	2024	2023
Revenue				
Recurring	$ 281,376	$ 262,390	$ 552,894	$ 515,138
One-time services and other	5,910	8,652	13,642	17,657
Total revenue	287,286	271,042	566,536	532,795
Cost of revenue				
Cost of recurring	119,810	113,926	238,998	228,426
Cost of one-time services and other	4,890	7,549	11,908	16,161
Total cost of revenue	124,700	121,475	250,906	244,587
Gross profit	162,586	149,567	315,630	288,208
Operating expenses				
Sales, marketing and customer success	47,081	53,191	97,946	107,576
Research and development	39,068	36,146	81,870	76,737
General and administrative	33,443	59,148	81,197	111,986
Amortization	902	788	1,806	1,562
Total operating expenses	120,494	149,273	262,819	297,861
Income (loss) from operations	42,092	294	52,811	(9,653)
Interest expense	(15,715)	(11,167)	(25,991)	(21,829)
Other income, net	3,310	2,778	6,657	4,785
Income (loss) before provision (benefit) for income taxes	29,687	(8,095)	33,477	(26,697)
Income tax provision (benefit)	7,883	(10,200)	6,427	(14,101)
Net income (loss)	$ 21,804	$ 2,105	$ 27,050	$ (12,596)
Earnings (loss) per share				
Basic	$ 0.43	$ 0.04	$ 0.53	$ (0.24)
Diluted	$ 0.42	$ 0.04	$ 0.52	$ (0.24)
Common shares and equivalents outstanding				
Basic weighted average shares	50,747,337	52,642,411	51,399,853	52,389,112
Diluted weighted average shares	51,677,418	53,643,124	52,371,927	52,389,112
Other comprehensive (loss) income				
Foreign currency translation adjustment	$ 339	$ 3,055	$ (846)	$ 5,213
Unrealized (loss) gain on derivative instruments, net of tax	(1,386)	5,383	2,709	(5,309)
Total other comprehensive (loss) income	(1,047)	8,438	1,863	(96)
Comprehensive income (loss)	$ 20,757	$ 10,543	$ 28,913	$ (12,692)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(dollars in thousands)	Six months ended June 30, 2024	2023
Cash flows from operating activities		
Net income (loss)	$ 27,050	$ (12,596)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	60,553	53,622
Provision for credit losses and sales returns	519	3,798
Stock-based compensation expense	57,856	63,289
Deferred taxes	(18,810)	(33,101)
Amortization of deferred financing costs and discount	984	963
Loss on disposition of business	1,561	—
Other non-cash adjustments	2,462	(1,569)
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:		
Accounts receivable	(53,062)	(69,624)
Prepaid expenses and other assets	(2,473)	9,470
Trade accounts payable	19,146	(3,431)
Accrued expenses and other liabilities	(13,579)	11,948
Deferred revenue	36,228	52,233
Net cash provided by operating activities	118,435	75,002
Cash flows from investing activities		
Purchase of property and equipment	(6,118)	(2,779)
Capitalized software and content development costs	(28,392)	(28,756)
Net cash used in disposition of business	(1,179)	—
Other investing activities	(5,029)	—
Net cash used in investing activities	(40,718)	(31,535)
Cash flows from financing activities		
Proceeds from issuance of debt	1,211,600	158,000
Payments on debt	(966,680)	(171,824)
Debt issuance costs	(6,458)	—
Employee taxes paid for withheld shares upon equity award settlement	(54,483)	(33,687)
Change in due to customers	106,851	61,313
Change in customer funds receivable	(2,577)	(3,359)
Purchase of treasury stock	(262,596)	—
Net cash provided by financing activities	25,657	10,443
Effect of exchange rate on cash, cash equivalents and restricted cash	(523)	2,489
Net increase in cash, cash equivalents and restricted cash	102,851	56,399
Cash, cash equivalents and restricted cash, beginning of period	728,257	733,931
Cash, cash equivalents and restricted cash, end of period	$ 831,108	$ 790,330

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown above in the condensed consolidated statements of cash flows:

(dollars in thousands)	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 30,438	$ 31,251
Restricted cash	800,670	697,006
Total cash, cash equivalents and restricted cash in the statement of cash flows	$ 831,108	$ 728,257

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(dollars in thousands)	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	69,188,304	$ 69	(15,562,864)	$ (591,557)	$ 1,203,012	$ (1,688)	$ 198,869	$ 808,705
Net income	—	—	—	—	—	—	5,246	5,246
Purchase of treasury shares under stock repurchase program	—	—	(2,954,211)	(211,412)	(52,244)	—	—	(263,656)
Vesting of restricted stock units	1,357,125	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(720,189)	(52,723)	—	—	—	(52,723)
Stock-based compensation	—	—	—	—	33,570	—	—	33,570
Restricted stock grants	335,237	2	—	—	—	—	—	2
Restricted stock cancellations	(19,159)	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	2,910	—	2,910
Balance at March 31, 2024	70,861,507	$ 71	(19,237,264)	$ (855,692)	$ 1,184,338	$ 1,222	$ 204,115	$ 534,054
Net income	—	—	—	—	—	—	21,804	21,804
Vesting of restricted stock units	10,719	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(22,273)	(1,760)	—	—	—	(1,760)
Stock-based compensation	—	—	—	—	24,286	—	—	24,286
Restricted stock grants	21,164	—	—	—	—	—	—	—
Restricted stock cancellations	(9,902)	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(1,047)	—	(1,047)
Balance at June 30, 2024	70,883,488	$ 71	(19,259,537)	$ (857,452)	$ 1,208,624	$ 175	$ 225,919	$ 577,337

Blackbaud, Inc.
Condensed Consolidated Statements of Stockholders' Equity (continued)
(Unaudited)

(dollars in thousands)	Common stock Shares	Common stock Amount	Treasury stock Shares	Treasury stock Amount	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
Balance at December 31, 2022	67,814,044	$ 68	(14,745,230)	$ (537,287)	$ 1,075,264	$ 8,938	$ 197,049	$ 744,032
Net loss	—	—	—	—	—	—	(14,701)	(14,701)
Vesting of restricted stock units	954,147	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(533,597)	(30,990)	—	—	—	(30,990)
Stock-based compensation	—	—	—	—	29,925	—	—	29,925
Restricted stock grants	427,941	1	—	—	—	—	—	1
Restricted stock cancellations	(41,269)	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(8,534)	—	(8,534)
Balance at March 31, 2023	69,154,863	$ 69	(15,278,827)	$ (568,277)	$ 1,105,189	$ 404	$ 182,348	$ 719,733
Net income	—	—	—	—	—	—	2,105	2,105
Vesting of restricted stock units	23,550	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(32,540)	(2,270)	—	—	—	(2,270)
Stock-based compensation	—	—	—	—	33,364	—	—	33,364
Restricted stock grants	6,031	—	—	—	—	—	—	—
Restricted stock cancellations	(20,200)	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	8,438	—	8,438
Balance at June 30, 2023	69,164,244	$ 69	(15,311,367)	$ (570,547)	$ 1,138,553	$ 8,842	$ 184,453	$ 761,370

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization

We are the leading software provider exclusively dedicated to powering social impact. Serving the nonprofit and education sectors, companies committed to social responsibility and individual change makers, our essential software is built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management. A remote-first company, we have operations in the United States, Australia, Canada, Costa Rica and the United Kingdom, supporting users in 100+ countries.

2. Basis of Presentation

Unaudited condensed consolidated interim financial statements

The accompanying condensed consolidated interim financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. These condensed consolidated statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to state fairly the consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of stockholders' equity, for the periods presented in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP"). The condensed consolidated balance sheet at December 31, 2023 has been derived from the audited consolidated financial statements at that date. Operating results and cash flows for the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024, or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations for interim reporting of the SEC. These unaudited, condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, and other forms filed with the SEC from time to time.

Basis of consolidation

The unaudited, condensed consolidated financial statements include the accounts of Blackbaud, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reportable segment

We report our operating results and financial information in one operating and reportable segment. Our chief operating decision maker uses consolidated financial information to make operating decisions, assess financial performance and allocate resources. Our chief operating decision maker is our chief executive officer.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we reconsider and evaluate our estimates and assumptions, including those that impact revenue recognition, long-lived and intangible assets, income taxes, business combinations, stock-based compensation, capitalization of software and content development costs, our allowances for credit losses and sales returns, costs of obtaining contracts, valuation of derivative instruments, loss contingencies and insurance recoveries, among others. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could materially differ from these estimates.

Recently issued accounting pronouncements

There are no recently issued accounting pronouncements that we expect to have a material impact on our consolidated financial statements when adopted in the future.

Summary of significant accounting policies

There have been no material changes to our significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 21, 2024.

3. Business Combinations and Dispositions

2024 disposition

On March 2, 2024, we completed a transaction to divest our U.K.-based creative services business EVERFI Limited, formerly a wholly-owned subsidiary of EVERFI Inc, which is a wholly-owned subsidiary of Blackbaud, Inc. EVERFI Limited's total revenue during 2023 was $8.4 million. We incurred an insignificant amount of legal costs associated with the disposition of this business. As a result of the disposition, we recorded a $1.6 million loss, which was recorded in general and administrative expense in the unaudited, condensed consolidated statement of comprehensive income for the six months ended June 30, 2024.

4. Earnings (Loss) Per Share

We compute basic earnings (loss) per share by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares and dilutive potential common shares outstanding during the period. Diluted earnings (loss) per share reflects the assumed exercise, settlement and vesting of all dilutive securities using the "treasury stock method" except when the effect is anti-dilutive. Potentially dilutive securities consist of shares issuable upon vesting of restricted stock awards and units. Diluted loss per share for the six months ended June 30, 2023 was the same as basic loss per share as there was a net loss in the period and inclusion of potentially dilutive securities was anti-dilutive.

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands, except per share amounts)	2024	2023	2024	2023
Numerator:				
Net income (loss)	$ 21,804	$ 2,105	$ 27,050	$ (12,596)
Denominator:				
Weighted average common shares	50,747,337	52,642,411	51,399,853	52,389,112
Add effect of dilutive securities:				
Restricted stock and units	930,081	1,000,713	972,074	—
Weighted average common shares assuming dilution	51,677,418	53,643,124	52,371,927	52,389,112
Earnings (loss) per share				
Basic	$ 0.43	$ 0.04	$ 0.53	$ (0.24)
Diluted	$ 0.42	$ 0.04	$ 0.52	$ (0.24)
Anti-dilutive shares excluded from calculations of diluted earnings (loss) per share	12,367	9,487	1,023,093	1,151,974

5. Fair Value Measurements

We use a three-tier fair value hierarchy to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets;
- Level 2 - Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Recurring fair value measurements

Financial assets and liabilities that are measured at fair value on a recurring basis consisted of the following, as of the dates indicated below:

	Fair value measurement using			
(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fair value as of June 30, 2024				
Financial assets:				
Interest rate swaps	$ —	$ 14,282	$ —	$ 14,282
Foreign currency forward contracts	—	252	—	252
Total financial assets	$ —	$ 14,534	$ —	$ 14,534
Fair value as of June 30, 2024				
Financial liabilities:				
Foreign currency forward contracts	$ —	$ 56	$ —	$ 56
Total financial liabilities	$ —	$ 56	$ —	$ 56
Fair value as of December 31, 2023				
Financial assets:				
Interest rate swaps	$ —	$ 16,198	$ —	$ 16,198
Total financial assets	$ —	$ 16,198	$ —	$ 16,198
Fair value as of December 31, 2023				
Financial liabilities:				
Interest rate swaps	$ —	$ 5,004	$ —	$ 5,004
Foreign currency forward contracts	—	536	—	536
Contingent consideration obligations	—	—	1,403	1,403
Total financial liabilities	$ —	$ 5,540	$ 1,403	$ 6,943

Our derivative instruments within the scope of Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, are required to be recorded at fair value. Our derivative instruments that are recorded at fair value include interest rate swaps and foreign currency forward contracts. See Note 8 to these unaudited, condensed consolidated financial statements for additional information about our derivative instruments.

The fair value of our interest rate swaps and foreign currency forward contracts are based on model-driven valuations using Secured Overnight Financing Rate ("SOFR") rates and foreign currency forward rates, respectively, which are observable at commonly quoted intervals. Accordingly, our interest rate swaps and foreign currency forward contracts are classified within Level 2 of the fair value hierarchy.

Contingent consideration obligations arise from business acquisitions. The fair values are based on discounted cash flow analyses reflecting a probability-weighted assessment approach derived from the likelihood of possible achievement of specified performance measures or events and captures the contractual nature of the contingencies, commercial risk, and the time value of money. As the fair value measurements for our contingent consideration obligations contain significant unobservable inputs, they are classified within Level 3 of the fair value hierarchy.

We believe the carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, accrued expenses and other current liabilities and due to customers approximate their fair values at June 30, 2024 and December 31, 2023, due to the immediate or short-term maturity of these instruments.

We believe the carrying amount of our debt approximates its fair value at June 30, 2024 and December 31, 2023, as the debt bears interest rates that approximate market value. As SOFR rates are observable at commonly quoted intervals, our debt under the 2024 Credit Facilities (as defined below) is classified within Level 2 of the fair value hierarchy. The fair value of our fixed rate debt does not exceed the carrying amount.

We did not transfer any assets or liabilities among the levels within the fair value hierarchy during the six months ended June 30, 2024.

Non-recurring fair value measurements

Assets and liabilities that are measured at fair value on a non-recurring basis include long-lived assets, intangible assets, goodwill and operating lease right-of-use ("ROU") assets. These assets are recognized at fair value during the period in which an acquisition is completed or at lease commencement, from updated estimates and assumptions during the measurement period, or when they are considered to be impaired. These non-recurring fair value measurements, primarily for long-lived assets, intangible assets acquired and operating lease ROU assets, are based on Level 3 unobservable inputs. In the event of an impairment, we determine the fair value of these assets other than goodwill using a discounted cash flow approach, which contains significant unobservable inputs and, therefore, is considered a Level 3 fair value measurement. The unobservable inputs in the analysis generally include future cash flow projections and a discount rate. For goodwill impairment testing, we estimate fair value using market-based methods including the use of market capitalization and consideration of a control premium.

In June 2024, we entered into a sublease for an additional portion of our Washington, DC office location, which we previously closed for our own use in February 2023 to align with our remote-first workforce strategy. We considered our entry into the sublease an impairment indicator. As a result, during the three and six months ended June 30, 2024, we recorded noncash impairment charges of $3.1 million against certain operating lease ROU assets and noncash impairment charges against certain property and equipment assets which were insignificant. We present these impairment charges in general and administrative expense on our unaudited, condensed consolidated statements of comprehensive income (loss) and as other non-cash adjustments within operating activities on our unaudited condensed consolidated statements of cash flows.

There were no other significant non-recurring fair value adjustments to our long-lived assets, intangible assets, goodwill or operating lease ROU assets during the six months ended June 30, 2024.

6. Consolidated Financial Statement Details

Restricted cash

(dollars in thousands)	June 30, 2024	December 31, 2023
Restricted cash due to customers	$ 799,429	$ 695,489
Real estate escrow balances and other	1,241	1,517
Total restricted cash	$ 800,670	$ 697,006

Prepaid expenses and other assets

(dollars in thousands)	June 30, 2024	December 31, 2023
Costs of obtaining contracts[1][2]	$ 60,680	$ 62,377
Prepaid software maintenance and subscriptions[3]	35,600	35,169
Derivative instruments	14,534	16,198
Implementation costs for cloud computing arrangements, net[4][5]	10,262	9,259
Prepaid insurance	7,078	3,940
Unbilled accounts receivable	5,789	5,615
Equity method investment[6]	5,029	—
Taxes, prepaid and receivable	5,549	3,418
Other assets	16,554	14,346
Total prepaid expenses and other assets	161,075	150,322
Less: Long-term portion	68,785	51,037
Prepaid expenses and other current assets	$ 92,290	$ 99,285

(1) Amortization expense from costs of obtaining contracts was $4.9 million and $9.7 million for the three and six months ended June 30, 2024, respectively, and $8.1 million and $16.4 million for the three and six months ended June 30, 2023, respectively.
(2) The current portion of costs of obtaining contracts as of June 30, 2024 and December 31, 2023 was $19.6 million and $25.3 million, respectively.
(3) The current portion of prepaid software maintenance and subscriptions as of June 30, 2024 and December 31, 2023 was $32.1 million and $32.4 million, respectively.
(4) These costs primarily relate to the multi-year implementations of our new global enterprise resource planning, customer relationship management systems and other cloud-based systems.
(5) Amortization expense from capitalized cloud computing implementation costs was $0.7 million and insignificant for the three months ended June 30, 2024 and 2023, respectively, and $1.4 million and $1.1 million for the six months ended June 30, 2024 and 2023, respectively. Accumulated amortization for these costs was $9.1 million and $7.7 million as of June 30, 2024 and December 31, 2023, respectively.
(6) Represents a strategic investment that did not result in Blackbaud having significant influence over the investee.

Accrued expenses and other liabilities

(dollars in thousands)	June 30, 2024	December 31, 2023
Accrued legal costs[1]	$ 10,473	$ 3,659
Taxes payable	10,428	21,282
Customer credit balances	7,631	10,238
Operating lease liabilities, current portion	4,887	6,701
Accrued commissions and salaries	2,995	4,413
Accrued vacation costs	2,594	2,452
Accrued health care costs	2,230	3,865
Accrued transaction-based costs related to payments services	1,934	4,323
Derivative instruments	56	5,540
Contingent consideration liability	—	1,403
Other liabilities	12,816	10,704
Total accrued expenses and other liabilities	56,044	74,580
Less: Long-term portion	4,362	10,258
Accrued expenses and other current liabilities	$ 51,682	$ 64,322

(1) All accrued legal costs are classified as current. See Note 9 to these unaudited, condensed consolidated financial statements for additional information about our loss contingency accruals and other legal expenses.

Other income, net

(dollars in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest income	$ 2,815	$ 2,308	$ 4,863	$ 3,544
Currency revaluation losses	(380)	(535)	(97)	(779)
Other income, net	875	1,005	1,891	2,020
Other income, net	$ 3,310	$ 2,778	$ 6,657	$ 4,785

7. Debt

The following table summarizes our debt balances and the related weighted average effective interest rates, which includes the effect of interest rate swap agreements.

(dollars in thousands)	Debt balance at June 30, 2024	Debt balance at December 31, 2023	Weighted average effective interest rate at June 30, 2024	Weighted average effective interest rate at December 31, 2023
Credit facility:				
Revolving credit loans	$ 167,300	$ 114,100	7.78 %	7.52 %
Term loans	800,000	607,500	4.61 %	3.51 %
Real estate loans	55,965	56,745	5.23 %	5.22 %
Other debt	2,782	2,800	8.77 %	8.42 %
Total debt	1,026,047	781,145	5.17 %	4.24 %
Less: Unamortized discount and debt issuance costs	4,190	1,481		
Less: Debt, current portion	23,786	19,259	7.28 %	7.02 %
Debt, net of current portion	$ 998,071	$ 760,405	5.12 %	4.17 %

2024 refinancing

On April 30, 2024, we entered into the Third Amendment to Credit Agreement (the "Amendment"), by and among us, the lenders party thereto and Bank of America N.A., as administrative agent (the "Agent"). The Amendment amends the Amended and Restated Credit Agreement, dated as of October 30, 2020 (as previously amended, the "2020 Credit Agreement" and the 2020 Credit Agreement as amended by the Amendment, the “2024 Credit Agreement”), by and among us, the lenders from time-to-time party thereto and the Agent.

The Amendment amends the 2020 Credit Agreement to, among other things, (a) refinance the existing $1.1 billion credit facilities under the 2020 Credit Agreement to provide for new credit facilities in the aggregate principal amount of $1.5 billion consisting of (i) a $700.0 million revolving credit facility (the “2024 Revolving Facility”) and (ii) a $800.0 million term loan facility (the “2024 Term Facility” and together with the 2024 Revolving Facility, the “2024 Credit Facilities”), (b) extend the maturity date to April 30, 2029, (c) modify the definition of Applicable Margin (as defined below) and (iv) modify certain negative and financial covenants to provide additional operational flexibility. Upon closing, we borrowed $800.0 million pursuant to the 2024 Term Facility and $208.2 million pursuant to the 2024 Revolving Facility and used the proceeds to repay the outstanding principal balances of the term loans under the 2020 Credit Agreement (the "2020 Term Facilities"), and repay $196.6 million of outstanding revolving credit loans under the 2020 Credit Agreement (the "2020 Revolving Facility").

Certain lenders of the 2024 Term Facility participated in the 2020 Term Facilities and the change in present value of our future cash flows to these lenders under the 2020 Term Facilities and under the 2024 Term Facility was less than 10%. Accordingly, we accounted for the refinancing event for these lenders as a debt modification. Certain lenders of the 2020 Term Facilities did not participate in the 2024 Term Facility. Accordingly, we accounted for the refinancing event for these lenders as a debt extinguishment. Certain lenders of the 2020 Revolving Facility participated in the 2024 Revolving Facility and provided increased borrowing capacities. Accordingly, we accounted for the refinancing event for these lenders as a debt modification. Certain lenders of the 2020 Revolving Facility did not participate in the 2024 Revolving Facility. Accordingly, we accounted for the refinancing event for these lenders as a debt extinguishment.

We recorded an insignificant loss on debt extinguishment related to the write-off of debt discount and deferred financing costs for the portions of the 2020 Credit Agreement considered to be extinguished. This loss was recognized in the consolidated statements of comprehensive income within other income, net.

In connection with our entry into the 2024 Credit Agreement, we paid $6.5 million in financing costs, of which $1.6 million were capitalized in other assets and, together with a portion of the unamortized deferred financing costs from the 2020 Credit Agreement and prior agreements, are being amortized into interest expense over the term of the new facility. As of June 30, 2024, deferred financing costs totaling $1.9 million were included in other assets on our consolidated balance sheets. We recorded aggregate financing costs of $3.6 million as a direct deduction from the carrying amount of our debt liability, which related to debt discount (fees paid to lenders) and debt issuance costs for the 2024 Term Facility.

Summary of the 2024 Credit Facilities

The 2024 Revolving Facility includes (i) a $50.0 million letter of credit subfacility, (ii) a $50.0 million swingline subfacility and (iii) a $150.0 million sublimit available for multicurrency borrowings.

Under the 2024 Credit Facilities, dollar tranche revolving loans and term loans bear interest at a rate per annum equal to, at the option of the Company: (a) a base rate equal to the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the prime rate announced by Bank of America, N.A., and (iii) Term SOFR plus 1.00% (the "Base Rate"), plus an applicable margin as specified in the 2024 Credit Agreement (the "Applicable Margin"); (b) Term SOFR plus the Applicable Margin; or (c) the Daily SOFR Rate plus the Applicable Margin. The Applicable Margin shall be adjusted quarterly, varies based on our net leverage ratio and varies based on whether the loan is a Base Rate Loan (0.375% to 1.500%), or a Term SOFR Loan/Daily SOFR Loan (1.375% to 2.500%). The 2024 Credit Agreement also provides for a commitment fee of between 0.250% and 0.500% of the unused commitment under the 2024 Revolving Facility depending on our net leverage ratio.

Under the 2024 Credit Facilities, designated currency tranche revolving loans bear interest at a rate per annum equal to, at the option of the Company: (a) the Designated Currency Daily Rate (as defined in the 2024 Credit Agreement) plus the Applicable Margin; or (b) the Designated Currency Term Rate (as defined in the 2024 Credit Agreement) plus the Applicable Margin. The Applicable Margin shall be adjusted quarterly and varies based on our net leverage ratio for both Designated Currency Daily Rate Loans and Designated Currency Term Rate Loans (1.375% to 2.500%).

We may prepay the 2024 Credit Agreement in whole or in part at any time without premium or penalty, other than customary breakage costs with respect to certain types of loans.

Under the terms of the 2024 Credit Agreement, we are entitled on one or more occasion, subject to the satisfaction of certain conditions, to request an increase in the commitments under the 2024 Revolving Facility and/or request additional incremental term loans in the aggregate principal amount of up to the sum of (i) the greater of (A) $360.0 million and (B) 100% of EBITDA (as defined in the 2024 Credit Agreement), plus (ii) at our option, up to an amount such that the net leverage ratio shall be no greater than 3.50 to 1.00.

The 2024 Credit Agreement contains various representations, warranties and affirmative, negative and financial covenants customary for financings of this type. Financial covenants include a net leverage ratio and an interest coverage ratio. At June 30, 2024, we were in compliance with our debt covenants under the 2024 Credit Facilities.

Real estate loans

In August 2020, we completed the purchase of our global headquarters facility. As part of the purchase price, we assumed the seller's obligations under two senior secured notes with a then-aggregate outstanding principal amount of $61.1 million (collectively, the "Real Estate Loans"). The Real Estate Loans require periodic principal payments and the balance of the Real Estate Loans are due upon maturity in April 2038. At June 30, 2024, we were in compliance with our debt covenants under the Real Estate Loans.

Other debt

From time to time, we enter into third-party financing agreements for purchases of software and related services for our internal use. Generally, the agreements are non-interest-bearing notes requiring annual payments. Interest associated with the notes is imputed at the rate we would incur for amounts borrowed under our then-existing credit facility at the inception of the notes.

The following table summarizes our currently effective supplier financing agreements as of June 30, 2024:

(dollars in thousands)	Term in Months	Number of Annual Payments	First Annual Payment Due	Original Loan Value
Effective dates of agreements [(1)]:				
December 2022	39	3	January 2023	$ 1,710
January 2023	36	3	April 2023	$ 2,491
April 2024	36	3	May 2024	$ 2,073

(1) Represent noncash investing and financing transactions during the periods indicated as we purchased software and services by assuming directly related liabilities.

The changes in supplier financing obligations during the six months ended June 30, 2024, consisted of the following:

(dollars in thousands)	Total
Balance at December 31, 2023	$ 2,800
Additions	2,073
Settlements	(2,091)
Balance at June 30, 2024	$ 2,782

As of June 30, 2024, the required annual maturities related to the 2024 Credit Facilities, the Real Estate Loans and our other debt were as follows:

Years ending December 31, (dollars in thousands)	Annual maturities
2024 - remaining	$ 10,829
2025	23,875
2026	22,660
2027	22,166
2028	22,375
Thereafter	924,142
Total required maturities	$ 1,026,047

8. Derivative Instruments

We generally use derivative instruments to manage our interest rate and foreign currency exchange risk. We currently have derivatives classified as cash flow hedges and net investment hedges. We do not enter into any derivatives for trading or speculative purposes.

All of our derivative instruments are governed by International Swap Dealers Association, Inc. master agreements with our counterparties. As of June 30, 2024 and December 31, 2023, we have presented the fair value of our derivative instruments at the gross amounts in the condensed consolidated balance sheets as the gross fair values of our derivative instruments equaled their net fair values.

Cash flow hedges

We have entered into interest rate swap agreements, which effectively convert portions of our variable rate debt under the 2024 Credit Facilities to a fixed rate for the term of the swap agreements. We designated each of the interest rate swaps as cash flow hedges at the inception of the contracts. Our entry into the 2024 Credit Agreement in April 2024 did not affect our interest rate swap agreements, including their designation as cash flow hedges, as the 2024 Credit Agreement has substantially the same critical terms as the the 2020 Credit Agreement. As of June 30, 2024 and December 31, 2023, the aggregate notional values of the interest rate swaps were $935.0 million and $935.0 million, respectively. All of the contracts have maturities on or before October 2028.

We have entered into foreign currency forward contracts to hedge revenues denominated in the Canadian Dollar ("CAD") against changes in the exchange rate with the United States Dollar ("USD"). We designated each of these foreign currency forward contracts as cash flow hedges at the inception of the contracts. As of June 30, 2024 and December 31, 2023, the aggregate notional values of the foreign currency forward contracts designated as cash flow hedges that we held to buy USD in exchange for Canadian Dollars were $32.1 million CAD and $29.9 million CAD, respectively. All of the contracts have maturities of 12 months or less.

Net investment hedges

We have entered into foreign currency forward contracts to hedge a portion of the foreign currency exposure that arises on translation of our investments denominated in British Pounds ("GBP") into USD. We designated each of these foreign currency forward contracts as net investment hedges at the inception of the contracts. As of June 30, 2024 and December 31, 2023, the aggregate notional values of the foreign currency forward contracts designated as net investment hedges to reduce the volatility of the U.S. dollar value of a portion of our GBP-denominated investments was £14.0 million and £13.2 million, respectively.

The fair values of our derivative instruments were as follows as of:

		Asset derivatives			Liability derivatives	
(dollars in thousands)	Balance sheet location	June 30, 2024	December 31, 2023	Balance sheet location	June 30, 2024	December 31, 2023
Derivative instruments designated as hedging instruments:						
Interest rate swaps, current portion	Prepaid expenses and other current assets	$ 7,362	$ 16,198	Accrued expenses and other current liabilities	$ —	$ —
Foreign currency forward contracts, current portion	Prepaid expenses and other current assets	252	—	Accrued expenses and other current liabilities	56	536
Interest rate swaps, long-term	Other assets	6,920	—	Other liabilities	—	5,004
Total derivative instruments designated as hedging instruments		$ 14,534	$ 16,198		$ 56	$ 5,540

The effects of derivative instruments in cash flow and net investment hedging relationships were as follows:

(dollars in thousands)	Gain (loss) recognized in accumulated other comprehensive income (loss) as of June 30, 2024	Location of gain (loss) reclassified from accumulated other comprehensive income (loss) into income (loss)	Gain reclassified from accumulated other comprehensive income (loss) into income (loss): Three months ended June 30, 2024	Six months ended June 30, 2024
Cash Flow Hedges				
Interest rate swaps	$ 14,282	Interest expense	$ 5,456	$ 10,929
Foreign currency forward contracts	$ 252	Revenue	$ 129	$ 163
Net Investment Hedges				
Foreign currency forward contracts	$ (56)		$ —	$ —
	June 30, 2023		**Three months ended June 30, 2023**	**Six months ended June 30, 2023**
Cash Flow Hedges				
Interest rate swaps	$ 25,204	Interest expense	$ 5,083	$ 9,582
Foreign currency forward contracts	$ (292)	Revenue	$ 109	$ 234
Net Investment Hedges				
Foreign currency forward contracts	$ (401)		$ —	$ —

Our policy requires that derivatives used for hedging purposes be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accumulated other comprehensive income (loss) includes unrealized gains or losses from the change in fair value measurement of our derivative instruments each reporting period and the related income tax expense or benefit. Excluding net investment hedges, changes in the fair value measurements of the derivative instruments and the related income tax expense or benefit are reflected as adjustments to accumulated other comprehensive income (loss) until the actual hedged expense is incurred or until the hedge is terminated at which point the unrealized gain (loss) and related tax effects are reclassified from accumulated other comprehensive income (loss) to current earnings. For net investment hedges, changes in the fair value measurements of the derivative instruments and the related income tax expense or benefit are reflected as adjustments to translation adjustment, a component of accumulated other comprehensive income (loss), and recognized in earnings only when the hedged GBP investment is liquidated. The estimated accumulated other comprehensive income as of June 30, 2024 that is expected to be reclassified into earnings within the next twelve months is $11.6 million. There were no ineffective portions of our interest rate swap or foreign currency forward derivatives during the six months ended June 30, 2024 and 2023. See Note 11 to these unaudited, condensed consolidated financial statements for a summary of the changes in accumulated other comprehensive income (loss) by component. We classify cash flows related to derivative instruments as operating activities in the condensed consolidated statements of cash flows.

9. Commitments and Contingencies

Leases

We have operating leases for corporate offices, subleased offices and certain equipment and furniture. As of June 30, 2024, we did not have any operating leases that had not yet commenced.

The following table summarizes the components of our lease expense:

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Operating lease cost[1]	$ 1,625	$ 2,304	$ 3,611	$ 4,689
Variable lease cost	299	395	612	827
Sublease income	(906)	(854)	(1,604)	(1,665)
Net lease cost	$ 1,018	$ 1,845	$ 2,619	$ 3,851

(1) Includes short-term lease costs, which were immaterial.

Maturities of our operating lease liabilities as of June 30, 2024 were as follows:

Years ending December 31, (dollars in thousands)	Operating leases
2024 - remaining	$ 3,376
2025	6,258
2026	6,106
2027	6,207
2028	6,101
Thereafter	20,689
Total lease payments	48,737
Less: Amount representing interest	7,560
Present value of future payments	$ 41,177

Other commitments

The term loans under the 2024 Credit Facilities require periodic principal payments. The balance of the term loans and any amounts drawn on the revolving credit loans are due upon maturity of the 2024 Credit Facilities in April 2029. The Real Estate Loans also require periodic principal payments and the balance of the Real Estate Loans are due upon maturity in April 2038.

We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of June 30, 2024, the remaining aggregate minimum purchase commitment under these arrangements was approximately $228.0 million through 2029.

Solution and service indemnifications

In the ordinary course of business, we provide certain indemnifications of varying scope to customers against claims of intellectual property infringement made by third parties arising from the use of our solutions or services. We have not identified any losses that might be covered by these indemnifications.

Legal proceedings

We are subject to legal proceedings and claims that arise in the ordinary course of business, as well as certain other non-ordinary course proceedings, claims and investigations, as described below. We make a provision for a loss contingency when it is both probable that a material liability has been incurred and the amount of the loss can be reasonably estimated. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For proceedings in which an unfavorable outcome is reasonably possible but not probable and an estimate of the loss or range of losses arising from the proceeding can be made, we disclose such an estimate, if material. If such a loss or range of losses is not reasonably estimable, we disclose that fact. We review any such loss contingency provisions at least quarterly and adjust them to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. We recognize insurance recoveries, if any, when they are probable of receipt. All associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred.

Legal proceedings are inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending or threatened against us and intend to defend ourselves vigorously against all claims asserted. It is possible that our consolidated financial position, results of operations or cash flows could be materially negatively affected in any particular period by an unfavorable resolution of one or more of such legal proceedings.

Security incident

As previously disclosed, we are subject to risks and uncertainties as a result of a ransomware attack against us in May 2020 in which a cybercriminal removed a copy of a subset of data from our self-hosted environment (the "Security Incident"). Based on the nature of the Security Incident, our research and third party (including law enforcement) investigation, we do not believe that any data went beyond the cybercriminal, has been misused, or has been disseminated or otherwise made available publicly. Our investigation into the Security Incident remains ongoing.

As a result of the Security Incident, we are currently subject to certain legal proceedings, claims and investigations, as discussed below, and could be the subject of additional legal proceedings, claims, inquiries and investigations in the future that might result in adverse judgments, settlements, fines, penalties or other resolution. To limit our exposure to losses related to claims against us, including data breaches such as the Security Incident, we maintain $50 million of insurance above a $250 thousand deductible payable by us. As noted below, this coverage reduced our financial exposure related to the Security Incident in prior years.

We recorded expenses and offsetting insurance recoveries related to the Security Incident as follows:

(dollars in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Gross expense	$ 1,822	$ 26,777	$ 12,145	$ 44,560
Offsetting insurance recoveries	—	—	—	—
Net expense	$ 1,822	$ 26,777	$ 12,145	$ 44,560

The following summarizes our cumulative expenses, insurance recoveries recognized and insurance recoveries paid as of:

(dollars in thousands)	June 30, 2024	December 31, 2023
Cumulative gross expense	$ 173,576	$ 161,431
Cumulative offsetting insurance recoveries recognized	(50,000)	(50,000)
Cumulative net expense	$ 123,576	$ 111,431
Cumulative offsetting insurance recoveries paid	$ (50,000)	$ (50,000)

Recorded expenses have consisted primarily of payments to third-party service providers and consultants, including legal fees, settlement of the previously disclosed SEC investigation, multi-state Attorneys General investigation, and Attorney General of the State of California investigation (discussed below), settlements of customer claims and accruals for certain loss contingencies. Not included in the expenses discussed above were costs associated with enhancements to our cybersecurity program. We present expenses and insurance recoveries related to the Security Incident in general and administrative expense on our unaudited, condensed consolidated statements of comprehensive income (loss) and as operating activities on our unaudited, condensed consolidated statements of cash flows. Total costs related to the Security Incident exceeded the limit of our insurance coverage during the first quarter of 2022. We expect to continue to experience significant expenses related to our response to the Security Incident, resolution of legal proceedings, claims and investigations, including those discussed below, and our efforts to further enhance our cybersecurity measures. For the three and six months ended June 30, 2024, we incurred net pre-tax expenses of $1.8 million and $12.1 million, respectively, related to the Security Incident, which included $1.8 million and $5.1 million, respectively, for ongoing legal fees and additional accruals for loss contingencies of $0.0 million and $7.0 million, respectively. During the six months ended June 30, 2024, we had net cash outlays of $5.8 million related to the Security Incident for ongoing legal fees. In line with our policy, legal fees are expensed as incurred. For full year 2024, we currently expect pre-tax expenses of approximately $5.0 million to $10.0 million and cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident. Not included in these ranges are our previous settlements or current accruals for loss contingencies related to the matters discussed below.

As of June 30, 2024, we have recorded approximately $8.5 million in aggregate liabilities for loss contingencies, which included $6.8 million for our settlement with the Attorney General of the State of California on June 13, 2024, and other accruals based primarily on recent negotiations with certain customers related to the Security Incident that we believed we could reasonably estimate in accordance with our loss contingency procedures described above. Our liabilities for loss contingencies are recorded in accrued expenses and other current liabilities on our unaudited, condensed consolidated balance sheets. It is reasonably possible that our estimated actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of June 30, 2024 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgment, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Customer claims. To date, we have received approximately 260 specific requests from customers for reimbursement of expenses incurred by them related to the Security Incident, all of which have been fully resolved and closed or are inactive and are considered by us to have been abandoned by the customers. We have also received approximately 400 reservations of the right to seek expense recovery in the future from customers or their attorneys in the U.S., U.K. and Canada related to the Security Incident, none of which resulted in claims submitted to us and are considered by us to have been abandoned by the customers. We have also received notices of proposed claims on behalf of a number of U.K. data subjects, which we are reviewing. In addition, insurance companies representing various customers' interests through subrogation claims have contacted us, and certain insurance companies have filed subrogation claims in court, of which three cases remain active and unresolved.

Customer constituent class actions. Presently, we are a defendant in putative consumer class action cases in U.S. federal courts (which have been consolidated under multi district litigation to a single federal court) and in Canadian courts alleging harm from the Security Incident. The plaintiffs in these cases, who purport to represent various classes of individual constituents of our customers, generally claim to have been harmed by alleged actions and/or omissions by us in connection with the Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys' fees and other related relief.

Lawsuits that are putative class actions require a plaintiff to satisfy a number of procedural requirements before proceeding to trial. These requirements include, among others, demonstration to a court that the law proscribes in some manner our activities, the making of factual allegations sufficient to suggest that our activities exceeded the limits of the law and a determination by the court—known as class certification—that the law permits a group of individuals to pursue the case together as a class. If these procedural requirements are not met, the lawsuit cannot proceed as a class action and the plaintiff may lose the financial incentive to proceed with the case. We are currently engaged in court proceedings to determine whether this will proceed as a class action. Frequently, a court's determination as to these procedural requirements is subject to appeal to a higher court. As a result of these uncertainties, we may be unable to determine the probability of loss until, or after, a court has finally determined that a plaintiff has satisfied the applicable class action procedural requirements.

Furthermore, for putative class actions, it is often not possible to reasonably estimate the possible loss or a range of loss amounts, even where we have determined that a loss is reasonably possible. Generally, class actions involve a large number of people and raise complex legal and factual issues that result in uncertainty as to their outcome and, ultimately, making it difficult for us to estimate the amount of damages that a plaintiff might successfully prove. This analysis is further complicated by the fact that the plaintiffs lack contractual privity with us.

On May 14, 2024, the United States District Court for the District of South Carolina (the "Court") issued a memorandum opinion and order (1) denying the multi district litigation plaintiffs' motion for class certification because of the plaintiffs' failure to meet their burden of proof as to ascertainability, (2) granting our motion to exclude the multi district litigation plaintiffs' expert on the issue of ascertainability, and (3) denying the multi district litigation plaintiffs' motion to exclude our expert on the issue of ascertainability. Further, the Court denied as moot all other pending motions. On May 28, 2024, the plaintiffs filed a petition for permission to appeal under Rule 23(f) of the Federal Rules of Civil Procedure with the Fourth Circuit Court of Appeals (the "Fourth Circuit") and we subsequently filed an opposition to such petition. On July 30, 2024, the Fourth Circuit denied the plaintiffs' petition. This litigation remains ongoing.

Governmental investigations. As previously disclosed, we are subject to an ongoing investigation by the U.S. Department of Health and Human Services. We also responded to inquiries from the Office of the Australian Information Commissioner in September 2020 and the Office of the Privacy Commissioner of Canada in October 2020.

As previously disclosed, on June 13, 2024, we agreed to a Final Judgment and Permanent Injunction with the Attorney General of the State of California (the "Final Judgment") relating to the Security Incident. This settlement fully resolved the last remaining U.S. state attorney general investigation into the Security Incident. Under the terms of the settlement, we agreed to comply with applicable laws; not to make misleading statements related to our data protection, privacy, security, confidentiality, integrity, breach notification requirements, and similar matters; and to implement and improve certain cybersecurity programs and tools. The terms of the settlement with California are generally consistent with those to which we agreed in settling with the other 49 state Attorneys General and the District of Columbia on October 5, 2023, as discussed below. As part of the settlement, we also agreed to pay a total of $6.8 million to the State of California. This amount was fully accrued as a contingent liability in the Company's financial statements as of March 31, 2024 and June 30, 2024, and subsequently paid in the third quarter of 2024. Nothing contained in the Final Judgment is intended to be, and shall not in any event be construed or deemed to be, an admission or concession or evidence of any liability or wrongdoing whatsoever on the part of Blackbaud or any fact or violation of law, rule, or regulation. For more information, see the Final Judgment and Permanent Injunction of the State of California, County of San Diego that was furnished as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on June 14, 2024.

On May 20, 2024, the U.S. Federal Trade Commission (the "FTC") finalized an Order (the "FTC Order") evidencing its settlement with us in connection with the Security Incident. As part of the FTC Order, we were not fined and were not otherwise required to make any payment. Furthermore, we agreed to the FTC Order without admitting or denying any of the FTC's allegations, except as expressly stated otherwise in the FTC Order. The settlement described in the FTC Order fully resolved the FTC investigation. For more information, see the form of proposed order that was furnished as Exhibit 99.2 to our Current Report on Form 8-K filed with the SEC on February 2, 2024 and is identical in substance to the final FTC Order, and in Note 11 to our audited consolidated financial statements contained in our Annual Report on Form 10-K filed with the SEC on February 21, 2024.

As previously disclosed, on October 5, 2023, we entered into separate, substantially similar Administrative Orders with each of 49 state Attorneys General and the District of Columbia relating to the Security Incident which fully resolved the previously disclosed multi-state Civil Investigative Demand and the separate Civil Investigative Demand from the Office of the Indiana Attorney General relating to the Security Incident.

On March 9, 2023, we reached a settlement with the SEC in connection with the Security Incident that fully resolved the previously disclosed SEC investigation of the Security Incident.

On September 28, 2021, the Information Commissioner's Office in the United Kingdom under the U.K. Data Protection Act 2018 notified us that it has closed its investigation of the Security Incident.

On September 24, 2021, we received notice from the Spanish Data Protection Authority that it has concluded its investigation of the Security Incident.

On January 15, 2021, we were notified by the Data Protection Commission of Ireland that it has concluded its investigation of the Security Incident.

For more information about these completed government investigations and related actions, see Note 11 to our audited consolidated financial statements contained in our Annual Report on Form 10-K filed with the SEC on February 21, 2024.

We continue to cooperate with all ongoing investigations, which include various requests for documents, policies, narratives and communications, as well as requests to interview or depose various Company-related personnel. As noted above, each of these separate governmental investigations could result in adverse judgments, settlements, fines, penalties or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

10. Income Taxes

Our income tax provision (benefit) and effective income tax rates, including the effects of period-specific events, were:

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Income tax provision (benefit)	$ 7,883	$ (10,200)	$ 6,427	$ (14,101)
Effective income tax rate	26.6 %	126.0 %	19.2 %	52.8 %

The change in our effective income tax rate for the three and six months ended June 30, 2024, when compared to the same periods in 2023 were largely driven by prior year pre-tax losses versus current year pre-tax income. Additionally, the 2024 periods were favorably impacted by benefits attributable to stock-based compensation and research and development tax credits whereas stock-based compensation negatively impacted our effective income tax rates for the 2023 periods. Lastly, the 2023 periods were negatively impacted by non-deductible accruals related to security incident, which have impacted the 2024 periods to a much lesser degree.

11. Stockholders' Equity

Stock repurchase program

Under our stock repurchase program, we are authorized to repurchase shares from time to time in accordance with applicable laws both on the open market, including under trading plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and in privately negotiated transactions. The timing and amount of repurchases depends on several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program does not have an expiration date and may be limited, suspended or discontinued at any time without prior notice. Under the 2024 Credit Agreement, we have restrictions on our ability to repurchase shares of our common stock, which are summarized on page 47 in this report.

We account for purchases of treasury stock under the cost method. On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by expanding the total capacity under the program from $250.0 million to $500.0 million available for repurchases.

In March 2024, we entered into an issuer forward repurchase transaction with a large financial institution to repurchase an aggregate $200 million of shares of our common stock (the "ASR Transaction"). Pursuant to the terms of the ASR Transaction, we provided the financial institution with a prepayment of $200 million and received an initial delivery of 2.1 million shares of our common stock, representing approximately 70% of the total shares then-expected to be repurchased under the ASR Transaction. The final number of shares of common stock delivered to us under the ASR Transaction will be based on the average of the daily volume-weighted average prices of the common stock during the term of the ASR Transaction, less a discount and subject to customary adjustments upon events affecting the common stock (e.g., dilutive or concentrative events, mergers and acquisitions, and market disruptions). At settlement, the financial institution may be required to deliver additional shares of our common stock to us or, under certain circumstances, we may be required to deliver a cash payment or shares of our common stock to the financial institution, with the method of settlement at our election. The final settlement of the ASR Transaction is scheduled to occur by the fourth quarter of 2024, unless settled earlier at the election of the financial institution.

The difference of $52.2 million between the prepayment of $200 million and the value of the shares repurchased on the ASR Transaction date represents an unsettled prepaid forward contract indexed to our common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument as of June 30, 2024. Because of our ability to settle in shares, the $52.2 million prepaid forward contract was classified as a reduction to additional paid-in capital within our unaudited, condensed consolidated statement of stockholders' equity. We funded the ASR Transaction prepayment with borrowings pursuant to a revolving credit loan under the 2020 Credit Agreement.

During the three months ended June 30, 2024, we did not repurchase any shares. During the six months ended June 30, 2024, we repurchased an aggregate of 2,954,211 shares for $262.6 million, including the initial delivery of shares repurchased pursuant to the ASR Transaction. The remaining amount available to purchase stock under the approved stock repurchase program was $259.7 million as of June 30, 2024.

On July 16, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by expanding the total capacity under the program from $500.0 million to $800.0 million available for repurchases. As of July 16, 2024, the amount available to purchase stock under the Company's repurchase program was $800.0 million. See Note 13 to these unaudited, condensed financial statements for additional information.

Changes in accumulated other comprehensive income (loss) by component

The changes in accumulated other comprehensive income (loss) by component, consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
Accumulated other comprehensive income (loss), beginning of period	$ 1,222	$ 404	$ (1,688)	$ 8,938
By component:				
Gains and losses on cash flow hedges:				
Accumulated other comprehensive income balance, beginning of period	$ 12,253	$ 13,141	$ 8,158	$ 23,833
Other comprehensive income before reclassifications, net of tax effects of $(974), $(3,238), $(3,940) and $(672)	2,731	9,231	10,852	1,942
Amounts reclassified from accumulated other comprehensive income	(5,585)	(5,192)	(11,092)	(9,816)
Tax expense included in provision for income taxes	1,468	1,344	2,949	2,565
Total amounts reclassified from accumulated other comprehensive income	(4,117)	(3,848)	(8,143)	(7,251)
Net current-period other comprehensive (loss) income	(1,386)	5,383	2,709	(5,309)
Accumulated other comprehensive income balance, end of period	$ 10,867	$ 18,524	$ 10,867	$ 18,524
Foreign currency translation adjustment:				
Accumulated other comprehensive loss balance, beginning of period	$ (11,031)	$ (12,737)	$ (9,846)	$ (14,895)
Translation adjustment	339	3,055	(846)	5,213
Accumulated other comprehensive loss balance, end of period	(10,692)	(9,682)	(10,692)	(9,682)
Accumulated other comprehensive income, end of period	$ 175	$ 8,842	$ 175	$ 8,842

12. Revenue Recognition

Transaction price allocated to the remaining performance obligations

As of June 30, 2024, approximately $1.3 billion of revenue under contract is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 55% of these remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

We applied the practical expedient in ASC 606-10-50-14 and have excluded the value of unsatisfied performance obligations for contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed (transactional revenue).

Contract balances

Our contract assets as of June 30, 2024 and December 31, 2023 were insignificant. Our closing balances of deferred revenue were as follows:

(in thousands)	June 30, 2024	December 31, 2023
Total deferred revenue	$ 429,413	$ 394,927

The increase in deferred revenue during the six months ended June 30, 2024 was primarily due to a seasonal increase in customer contract renewals. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. Generally, our lowest balance of deferred revenue during the year is at the end of our first quarter. The amount of revenue recognized during the six months ended June 30, 2024 that was included in the deferred revenue balance at the beginning of the period was approximately $279 million. The amount of revenue recognized during the six months ended June 30, 2024 from performance obligations satisfied in prior periods was insignificant.

Disaggregation of revenue

We sell our cloud solutions and related services in three primary geographical markets: to customers in the United States, to customers in the United Kingdom and to customers located in other countries. The following table presents our revenue by geographic area based on the address of our customers:

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
United States	$ 241,831	$ 228,744	$ 479,940	$ 450,413
United Kingdom	29,980	28,234	56,109	54,282
Other countries	15,475	14,064	30,487	28,100
Total revenue	$ 287,286	$ 271,042	$ 566,536	$ 532,795

The Social Sector and Corporate Sector market groups comprised our go-to-market organizations as of June 30, 2024. The following is a description of each market group as of that date:

- The Social Sector market group focuses on sales to customers and prospects in the social sector, such as nonprofits, foundations, education institutions, healthcare organizations and other not-for-profit entities globally, and includes JustGiving; and
- The Corporate Sector market group focuses on sales to customers and prospects in the corporate sector globally, and includes EVERFI and YourCause.

The following table presents our revenue by market group:

(dollars in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Social Sector	$ 252,164	$ 232,381	$ 496,608	$ 457,278
Corporate Sector	35,122	38,661	69,928	75,517
Total revenue	$ 287,286	$ 271,042	$ 566,536	$ 532,795

The following table presents our recurring revenue by type:

(dollars in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Contractual recurring	$ 193,542	$ 181,235	$ 384,397	$ 358,838
Transactional recurring	87,834	81,155	168,497	156,300
Total recurring revenue	$ 281,376	$ 262,390	$ 552,894	$ 515,138

13. Subsequent Events

Stock Repurchase Program

On July 16, 2024, our Board of Directors reauthorized, expanded and replenished our existing stock repurchase program. The expansion raised the total capacity under the stock repurchase program from $500.0 million to $800.0 million available for repurchases. The program does not have an expiration date.

From January 1, 2024 and prior to the replenishment on July 16, 2024, we repurchased 2,954,211 shares of our stock for $262.6 million under the stock repurchase program, representing approximately 5.5% of our common stock outstanding as of December 31, 2023. As of July 16, 2024, the amount available to purchase stock under our repurchase program was $800.0 million.

Repurchases by us will be subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Stock repurchases may be made from time to time in open market transactions, in private transactions or otherwise in accordance with applicable securities laws and regulations and other legal requirements, including compliance with our finance agreements. There is no minimum number of shares that we are required to repurchase and the repurchase program may be suspended or discontinued at any time without prior notice. All shares purchased will be held in our treasury for possible future use. We anticipate funding any stock repurchases from its cash flow from operations, though we may fund repurchases through borrowings or otherwise in our discretion.

Additional information regarding the stock repurchase program reauthorization is contained in our Current Report on Form 8-K filed with the SEC on July 18, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited, condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis presents financial information denominated in millions of dollars which can lead to differences from rounding when compared to similar information contained in the unaudited, condensed consolidated financial statements and related notes which are primarily denominated in thousands of dollars.

Executive Summary

We are the leading software provider exclusively dedicated to powering social impact. Serving the nonprofit and education sectors, companies committed to social responsibility and individual change makers, our essential software is built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management. A remote-first company, we have operations in the United States, Australia, Canada, Costa Rica and the United Kingdom, supporting users in 100+ countries.

Our revenue is primarily generated from the following sources: (i) charging for the use of our software solutions in cloud and hosted environments; (ii) providing payment and transaction services; and (iii) providing Impact-as-a-Service™ digital educational content.

Business Update

Our company has made significant strides over the past several years by executing on our five-point operating plan. We have extended our position as the world's leading provider of software to power social impact through product innovation to better serve the very specific needs of non-profit customers, successfully implemented key revenue initiatives to enhance the predictability of our growth, all while maintaining keen attention to cost management and cash flow. As a result of this work, we have accelerated our revenue growth, significantly improved our profitability, driven sustained EPS growth and generated significant cash flow, which we have used, in part, to fuel a material stock repurchase program, that was recently expanded and replenished to $800 million.

The company is approaching another inflection point. In addition to improving our operations and go-to market capabilities, we have successfully addressed and nearly closed the book on many of the challenges the company faced over the past few years, allowing us to now focus primarily on the significant growth and value creation opportunities ahead in the near, mid and long term.

We believe Blackbaud is a compelling investment with multiple opportunities for strong stockholder returns.

1. As an industry leader with what we believe is the most comprehensive set of purpose-built and mission critical software and services, we have an inherent ability to penetrate even further into a rich market opportunity;

2. The strength of our financial model allows us to continue to aggressively invest in innovation, which provides great value for our customers and enhances our ability to attract new customers; and

3. We generate strong cash flows and are committed to disciplined, value-maximizing capital returns. We believe that at current valuations, Blackbaud is undervalued, and we plan to be aggressive in the repurchase of our stock to improve stockholder value.

Market Opportunity

- U.S. charitable giving in 2023 was over $500 billion, of which roughly $100 billion was donated, granted and invested through our Blackbaud platforms globally.

- In our Social Sector, we continue to primarily focus on mid-sized and enterprise non-profits and, as market leader, we continue to see great opportunities to attract new customers as well expand our offerings to our existing customers. We appreciate that our customers have choices, too. For decades, we have enjoyed being the market leader, with strong brand recognition and significant breadth and depth of our product capabilities, but we are not relying on the success of our past.

Investments in Innovation

- We continue to invest aggressively in innovation and partner with our developer network through API's to produce continuous product enhancements throughout our portfolio, including generative AI capabilities, which in turn enable our customers to raise more money while increasing operational efficiency—ultimately allowing them to spend more time executing on their charitable missions and less time on administrative tasks.

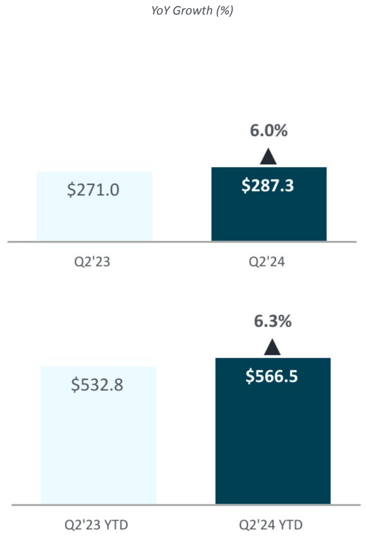
- We are a natural choice for new and existing customers alike. The alternative for our customers is a disjointed, competitive landscape where we believe other companies do not offer the combined breadth and depth of our capabilities. These include smaller, mostly disparate point solutions that address only single aspects of the complex, comprehensive technology needs of a nonprofit, or larger horizontal software companies that may lack the depth of nonprofit-specific functionality and often require complex, expensive customization and potentially additional vendors to meet customer needs.

Cash Flow Generation

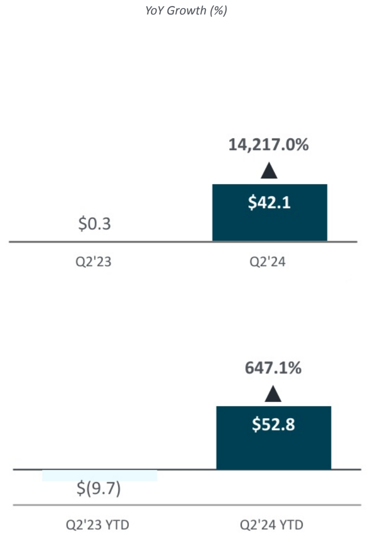
During the first six months of 2024, we generated $118.4 million of operating cash flow, an increase of more than 50% compared to the first half of 2023. Our robust cash flow generation gives us confidence to continue investment in a number of critical areas like product innovation and stock repurchases. In March 2024, we announced that we intend to repurchase between 7% and 10% of our outstanding common stock as of December 31, 2023 under our stock repurchase program. During the six months ended June 30, 2024, we repurchased 2,954,211 shares for $262.6 million, representing approximately 5.5% of the Company's common stock outstanding as of December 31, 2023. In addition to our previously announced ASR Transaction, we plan to be aggressive in repurchasing our stock at the current valuations. As previously disclosed, our board of directors reauthorized, expanded and replenished our existing stock repurchase program, raising the total capacity from $500 million to $800 million available for repurchases of our common stock. We believe there is currently no better use of our capital than investing back into the business through product innovation and returning capital to stockholders around these valuation levels.

Financial Summary

Total revenue ($M)



Income (Loss) from operations ($M)



Total revenue increased by $16.2 million and $33.7 million, respectively, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven largely by the following:

\+ Growth in recurring revenue primarily related to:

- increases in contractual recurring revenue of $12.3 million and $25.6 million, respectively, related to the impact of our modernized contract initiative and pricing within the Social Sector as well as the performance of our cloud solutions; partially offset by decreases in revenue from EVERFI and maintenance revenue;
- increases in transactional recurring revenue of $6.7 million and $12.2 million, respectively, primarily due to positive results related to pricing initiatives we have implemented in the past twelve months and increases in volume for our JustGiving, Blackbaud Merchant Services and Blackbaud Tuition Management solutions.

\- Decreases in one-time service and other revenue primarily related to:

- decreases in one-time consulting revenue of $2.4 million and $3.4 million, respectively, primarily due to decreases of $1.9 million and $2.5 million, respectively, resulting from our sale of EVERFI Limited as discussed in Note 3 to our unaudited, condensed consolidated financial statements in this report and less sales of implementation and customization services. Also contributing to the decrease in one-time consulting revenue is an increase in utilization of third-party service delivery partners. For several years, we have been strategically shifting away from a one-time services business model towards sales of retained and managed services and also embedding services in our renewable cloud solution contracts. Retained and managed services contracts that we expect to have a term consistent with our cloud solution contracts, and embedded services are recorded as recurring revenue.

As previously disclosed and discussed above, we have a number of multi-year pricing initiatives underway, some to bring our pricing in line with the market while others are model changes that are expected to drive greater revenue for both us and our customers. Excluding the impact from our sale of EVERFI Limited in the first quarter of 2024, we expect that the decline in our non-strategic one-time services and other revenue will slow in 2024 compared to the previous two years.

Our Social Sector revenue (which represents approximately 88% of our total year-to-date revenue) increased $19.8 million, or 8.5%, and $39.3 million, or 8.6%, respectively, during the three and six months ended June 30, 2024, when compared to the same periods in 2023, driven primarily by the increases in contractual recurring revenue and transactional recurring revenue discussed above. The Social Sector has proven to be very resilient as demonstrated through the last several economic downturns and the COVID-19 pandemic, and we have great confidence in the long-term trajectory of this portion of our business.

Our Corporate Sector revenue (which represents approximately 12% of our total year-to-date revenue) decreased $3.5 million, or 9.2%, and $5.6 million, or 7.4%, respectively, during the three and six months ended June 30, 2024, when compared to the same periods in 2023, driven primarily by the performance of EVERFI and our disposition of EVERFI Limited in March 2024 (see Note 3 to our unaudited, condensed consolidated financial statements in this report for more information). EVERFI has unique and valuable assets, including a comprehensive catalog of content, great customer relationships and a deep talent pool. However, EVERFI has faced a number of external challenges and while we have taken decisive actions, including changes to Corporate Sector leadership and the disposition of a non-recurring revenue component (EVERFI Limited discussed above), EVERFI continues to be a drag on our overall performance, and we expect that to continue. Accordingly, we are actively considering a range of strategic alternatives for EVERFI, one of which includes a potential divestiture of the business. This work is in early stages, and EVERFI remains well positioned to support its customers. We will continue to provide updates as progress is made on this initiative.

Income from operations increased by $41.8 million and $62.5 million, respectively, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven largely by the following:

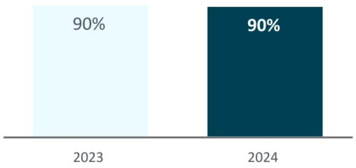
+ Decreases in Security Incident-related expenses of $25.0 million and $32.4 million, respectively. See "Security Incident update" below.
+ Increases in total revenue, as described above
+ Decreases in stock-based compensation expense of $9.1 million and $5.4 million, respectively, primarily due to overall Company performance against targets for certain performance-based equity awards, and a decrease in the grant date fair value of equity award grants
+ Decrease in employee severance costs of $5.0 million, during the six months ended June 30, 2024, primarily due to prior period targeted workforce reductions during the fourth quarter of 2022 and the first quarter of 2023
+ Decreases in commission expense of $3.1 million and $6.5 million, respectively, due to fewer sales headcount and a prospective increase in the period of benefit over which we amortized costs of obtaining contracts with customers from 5 to 6 years beginning in the year ending December 31, 2024
+ Decrease in corporate costs of $2.3 million, during the six months ended June 30, 2024, primarily related to the release of certain accrued tax liabilities due to favorable sales tax rulings and a decrease in bad debt expense
- Increases in acquisition and disposition-related costs of $3.2 million and $4.9 million, respectively, primarily related to the noncash impairment charges against certain operating lease right-of-use assets and property and equipment assets resulting from the sublease of our Washington, DC office location and the disposition of EVERFI Limited; see Note 5 and Note 3, respectively, to our unaudited, condensed consolidated financial statements in this report for more information. These increases were partially offset by the release of $1.4 million in accrued contingent consideration related to our Kilter acquisition as discussed in Note 3 to the consolidated financial statements in our Annual Report on From 10-K for the year ended December 31, 2023
- Increases in compensation costs other than stock-based compensation of $2.3 million and $2.9 million, respectively, primarily due to an increase in resources dedicated to our cybersecurity program
- Decrease of $2.3 million, during the six months ended June 30, 2024, due to an increase in amortization of capitalized software and content development costs and a decrease in software and content development costs that were required to be capitalized under the internal-use software guidance
- Increases in third-party contractor costs of $2.1 million and $2.8 million, respectively, largely related to enhancements to our cybersecurity program
- Increases in amortization of intangible assets from business combinations of $1.6 million and $3.3 million, respectively, due to our acquisition of EVERFI. Most of the acquired intangible assets are amortized on a curve that represents the expected period of economic benefit.
- Increases in transaction-based costs of $1.2 million and $2.7 million, respectively, related to the increase in the volume of transactions for which we process payments and, to a lesser extent, increases in vendor rates
- Increases in advertising costs of $1.0 million and $3.0 million, respectively, primarily due to timing differences compared to 2023 and, to a lesser extent, increased digital marketing spend to drive fundraising page creation for JustGiving
- Increases in hosting and data center costs of $1.0 million and $2.3 million, respectively, as we continue to migrate our cloud infrastructure to leading public cloud service providers and make investments in security; currently, we expect our cloud infrastructure migration efforts and increased level of cybersecurity investments to continue for the foreseeable future

We are continuing to make critical investments in the business in areas such as innovation, cybersecurity, and our continued shift of cloud infrastructure to leading public cloud service providers. Our profitability during the first half of 2024 reflects some of these incremental investments.

We continuously seek opportunities to optimize our portfolio of solutions to focus time and resources on innovation that will have the greatest impact for our customers and the markets we serve, and drive the highest return on investment. To that end, we will continue to simplify and rationalize our portfolio through product sunsets and divestitures of non-core businesses and technologies.

As a remote-first workforce company, we also continuously evaluate opportunities to shift various business units or functions to lower-cost jurisdictions, including internationally, and may do so if and when we determine that it would reduce costs without negatively impacting the quality of our products and services.

Gross dollar retention



Our recurring subscription contracts are typically for a term of three years at contract inception. A key factor to our overall success is the renewal and expansion of our existing subscription agreements with our customers. Management uses gross dollar retention in analyzing our success at delighting our customers with innovative and cloud solutions. Gross dollar retention is defined as contracted annual recurring revenue ("CARR") divided by beginning CARR with a measurement period of twelve months. For the twelve months ended June 30, 2024, our gross dollar retention was approximately 90%. This gross dollar retention rate was consistent with our rate for the full year ended December 31, 2023. We are continually investing in innovation, which we believe will increase gross dollar retention over the long-term.

Balance sheet and cash flow

At June 30, 2024, our cash and cash equivalents were $30.4 million. Under the 2024 Credit Facilities, the carrying amount of our debt was $963.6 million and our net leverage ratio was 2.51 to 1.00.

During the six months ended June 30, 2024, we generated $118.4 million in cash from operations, had a net increase in borrowings of $244.9 million, returned $262.6 million to stockholders by way of share repurchases and had aggregate cash outlays of $34.5 million for purchases of property and equipment and capitalized software and content development costs.

Security Incident update

As discussed in Note 9 to our unaudited, condensed consolidated financial statements in this report, total costs related to the Security Incident exceeded the limit of our insurance coverage in the first quarter of 2022. Accordingly, the Security Incident has negatively impacted, and we expect it to continue for the foreseeable future to negatively impact, our GAAP profitability and GAAP cash flow (see discussion regarding non-GAAP free cash flow and non-GAAP adjusted free cash flow on page 43). For the three and six months ended June 30, 2024, we incurred net pre-tax expenses of $1.8 million and $12.1 million, respectively, related to the Security Incident, which included $1.8 million and $5.1 million, respectively, for ongoing legal fees and additional accruals for loss contingencies of $0.0 million and $7.0 million, respectively. During the six months ended June 30, 2024, we had cash outlays of $5.8 million related to the Security Incident for ongoing legal fees. In line with our policy, legal fees are expensed as incurred. For full year 2024, we currently expect pre-tax expenses of approximately $5.0 million to $10.0 million and cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident. Not included in these ranges are our previous settlements or current accruals for loss contingencies related to the matters discussed below.

As of June 30, 2024, we have recorded approximately $8.5 million in aggregate liabilities for loss contingencies, which included $6.8 million for our settlement with the Attorney General of the State of California on June 13, 2024 that we paid in the third quarter of 2024, and other accruals based primarily on recent negotiations with certain customers related to the Security Incident that we believed we could reasonably estimate in accordance with our loss contingency procedures described above and as more fully described in Note 9. It is reasonably possible that our estimated actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

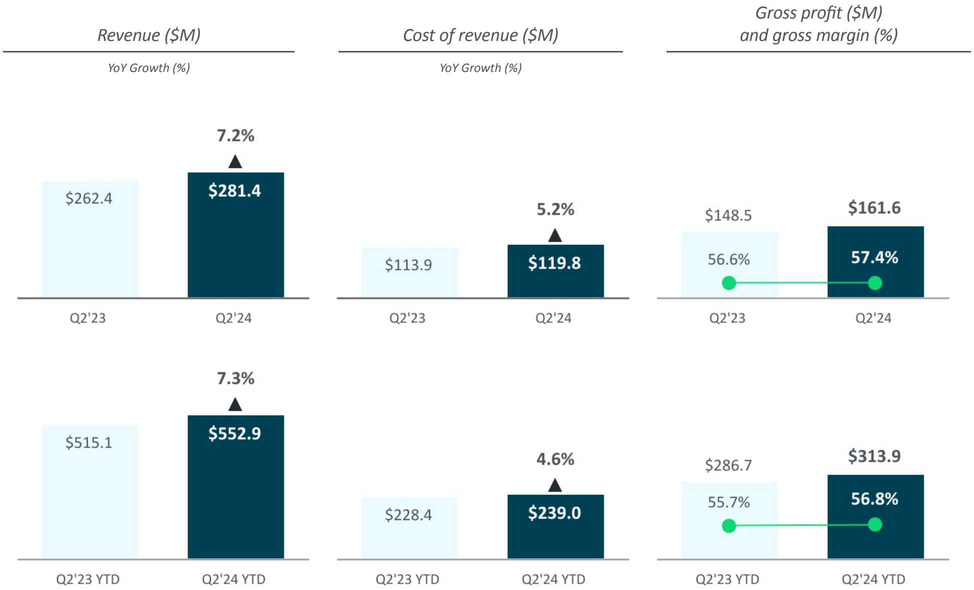
There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of June 30, 2024 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgment, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Results of Operations

Comparison of the three and six months ended June 30, 2024 and 2023

Revenue and Cost of Revenue

Recurring



Recurring revenue includes two components: contractual recurring and transactional recurring.

Contractual recurring revenue is primarily comprised of fees for the use of our subscription-based software solutions, which includes providing access to cloud solutions, Impact-as-a-Service™ digital educational content, online training programs and subscription-based analytic services. Contractual recurring revenue also includes fees from maintenance services for our on-premises solutions.

Transactional recurring revenue is comprised of transaction fees associated with the use of our solutions, including donation processing, tuition management, consumer giving and event-based usage.

Cost of recurring revenue is primarily comprised of compensation costs for customer support and production IT personnel, hosting and data center costs, third-party contractor expenses, third-party royalty and data expenses, allocated depreciation, facilities and IT support costs, amortization of intangible assets from business combinations, amortization of software development costs, transaction-based costs related to payments services including remittances of amounts due to third-parties and other costs incurred in providing support and recurring services to our customers.

Our customers continue to prefer cloud subscription offerings with integrated analytics, training and payment services. We intend to continue focusing on innovation, quality and integration of our cloud solutions, which we believe will drive future revenue growth.

Recurring revenue increased by $19.0 million, or 7.2%, and $37.8 million, or 7.3%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven primarily by the following:

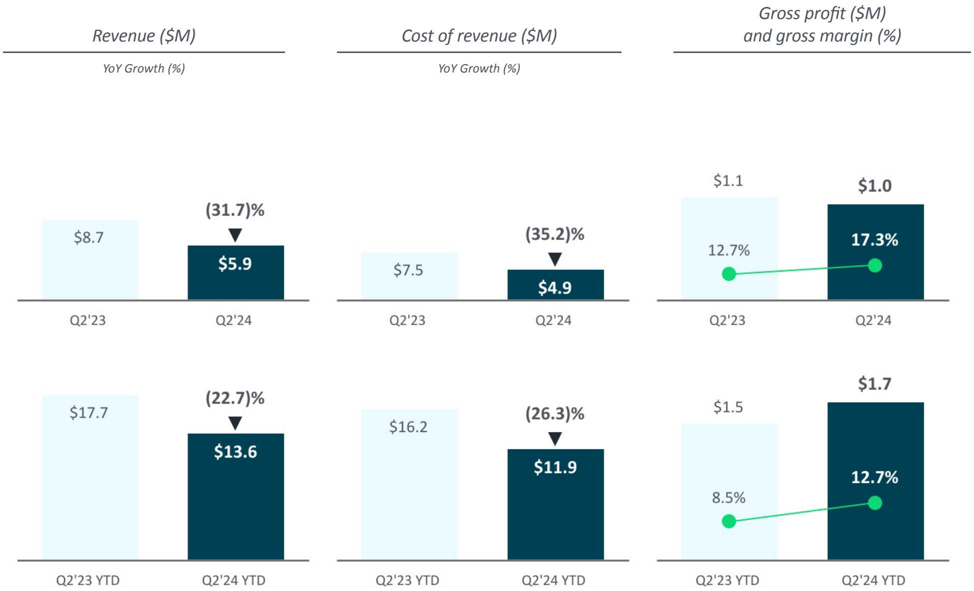
+ Increases in contractual recurring revenue of $12.3 million and $25.6 million, respectively, related to the impact of our modernized contract initiative and pricing within the Social Sector as well as the performance of our cloud solutions; partially offset by decreases in revenue from EVERFI (as discussed above) and maintenance revenue;
+ Increases in transactional recurring revenue of $6.7 million and $12.2 million, respectively, primarily due to positive results related to pricing initiatives we have implemented in the past twelve months and increases in volume for our JustGiving, Blackbaud Merchant Services and Blackbaud Tuition Management solutions.

Cost of recurring revenue increased by $5.9 million, or 5.2%, and $10.6 million, or 4.6%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven primarily by the following:

+ Increases in amortization of intangible assets from business combinations of $1.5 million and $3.1 million, respectively, primarily due to our acquisition of EVERFI in December 2021. Most of the acquired intangible assets are amortized on a curve that represents the expected period of economic benefit.
+ Increases in third-party contractor costs of $1.2 million and $1.8 million, respectively, largely related to enhancements to our cybersecurity program
+ Increases in transaction-based costs of $1.1 million and $2.6 million, respectively, related to the increase in the volume of transactions for which we process payments and, to a lesser extent, increases in vendor rates
+ Increases in hosting and data center costs of $1.0 million and $2.3 million, respectively, as we continue to migrate our cloud infrastructure to leading public cloud service providers and make investments in security; currently, we expect our cloud infrastructure migration efforts and increased level of cybersecurity investments to continue for the foreseeable future

Recurring gross margin increased by 80 basis points and 110 basis points for the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, primarily due to the increases in recurring revenue outpacing the increases in cost of recurring revenue.

One-time services and other



One-time services and other revenue is comprised of fees for one-time consulting, analytic and onsite training services, and fees for retained and managed services contracts that we do not expect to have a term consistent with our cloud solution contracts.

Cost of one-time services and other is primarily comprised of compensation costs for professional services and onsite training personnel, other costs incurred in providing onsite customer training, third-party contractor expenses, data expense incurred to perform one-time analytic services, third-party software royalties, allocated depreciation, facilities and IT support costs and amortization of intangible assets from business combinations.

One-time services and other revenue decreased by $2.7 million, or 31.7%, and $4.0 million, or 22.7%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven primarily by the following:

- Decreases in one-time consulting revenue of $2.4 million and $3.4 million, respectively, primarily due to decreases of $1.9 million and $2.5 million, respectively, resulting from our sale of EVERFI Limited as discussed in Note 3 to our unaudited, condensed consolidated financial statements in this report and less sales of implementation and customization services. Also contributing to the decrease in one-time consulting revenue is an increase in utilization of third-party service delivery partners. For several years, we have been strategically shifting away from a one-time services business model towards sales of retained and managed services and also embedding services in our renewable cloud solution contracts. Retained and managed services contracts that we expect to have a term consistent with our cloud solution contracts, and embedded services are recorded as recurring revenue.

Cost of one-time services and other decreased by $2.7 million, or 35.2%, and $4.3 million, or 26.3%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, driven primarily by the following:

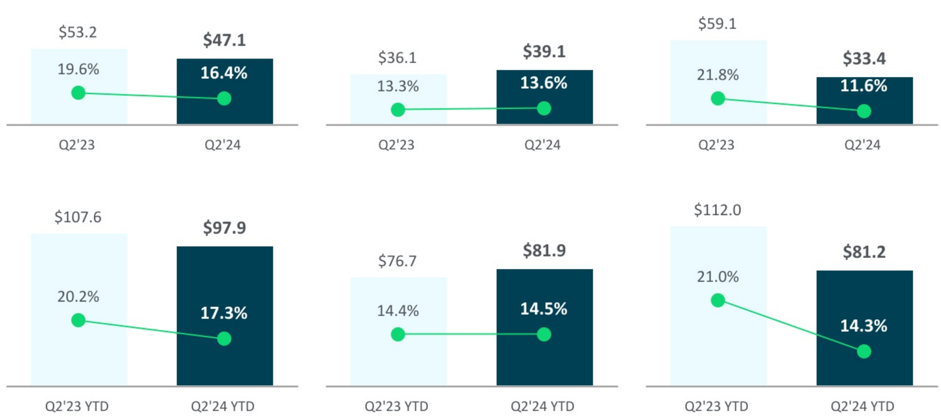
- Decreases in compensation costs of $1.5 million and $2.7 million, respectively, primarily related to our sale of EVERFI Limited as discussed above and a continued shift in resources historically supporting one-time services and other towards recurring revenue
- Decreases in direct costs of revenue of $0.8 million and $0.9 million, respectively, primarily due to our sale of EVERFI Limited as discussed above

One-time services and other gross margin increased by 450 basis points and 420 basis points during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, primarily due to the decrease in compensation costs discussed above outpacing the decrease of one-time services and other revenue.

Operating Expenses

Sales, marketing and customer success ($M)	*Research and development ($M)*	*General and administrative ($M)*

Percentages indicate expenses as a percentage of total revenue



Sales, marketing and customer success

Sales, marketing and customer success expense includes compensation costs, variable sales commissions, travel-related expenses, advertising and marketing materials, public relations costs, variable reseller commissions and allocated depreciation, facilities and IT support costs.

We see a large market opportunity in the long-term and will continue to make investments to drive sales effectiveness. We have also implemented software tools to enhance our digital footprint and drive lead generation. The enhancements we are making in our go-to-market approach are expected to reduce our average customer acquisition cost per customer as well as the related payback period while increasing sales velocity.

Sales, marketing and customer success expense decreased by $6.1 million, or 11.5%, and $9.6 million or 9.0%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023. The decreases in dollars and as a percentage of total revenue were primarily driven by the following:

- Decreases in compensation costs of $3.4 million and $3.8 million, respectively, primarily related to our prior period targeted workforce reductions
- Decreases in commissions expense of $3.2 million and $6.7 million, respectively, due to fewer sales headcount and a prospective increase in the period of benefit over which we amortized costs of obtaining contracts with customers from 5 to 6 years beginning in the year ending December 31, 2024
- Decrease in severance costs of $2.1 million, during the six months ended June 30, 2024, related to our prior period targeted workforce reductions

\+ Increases in advertising costs of $1.0 million and $3.0 million, respectively, primarily due to timing differences compared to 2023 and, to a lesser extent, increased digital marketing spend to drive fundraising page creation for JustGiving

Research and development

Research and development expense includes compensation costs for engineering and product management personnel, third-party contractor expenses, software development tools and other expenses related to developing new solutions or upgrading and enhancing existing solutions that do not qualify for capitalization, and allocated depreciation, facilities and IT support costs.

We continue to make investments to delight our customers with innovative and secure cloud solutions. Research and development expenses increased by $2.9 million, or 8.1%, and $5.1 million or 6.7%, during the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023, primarily driven by the following:

\+ Increase in compensation costs of $2.7 million, during the six months ended June 30, 2024, primarily related to an increase in resources dedicated to the security-related compliance of our solutions

\+ Increases in third-party contractor costs of $1.4 million and $1.3 million, respectively, largely related to enhancements to our cybersecurity program

\+ Decrease in software development costs of $1.1 million, during the six months ended June 30, 2024, that were required to be capitalized under GAAP

Not included in research and development expense for the three months ended June 30, 2024 and 2023 were $14.8 million and $15.4 million, respectively, and for the six months ended June 30, 2024 and 2023 were $28.5 million and $29.6 million, respectively, of qualifying costs associated with software and content development activities that are required to be capitalized under GAAP, such as those for our cloud solutions, as well as development costs associated with acquired companies. Qualifying capitalized development costs associated with our cloud solutions are subsequently amortized to cost of recurring revenue over the related assets' estimated useful life, which generally range from three to seven years. We expect that the amount of software and content development costs capitalized will be relatively consistent in the near-term as we continue making investments in innovation, quality, security and the integration of our solutions, which we believe will drive long-term revenue growth.

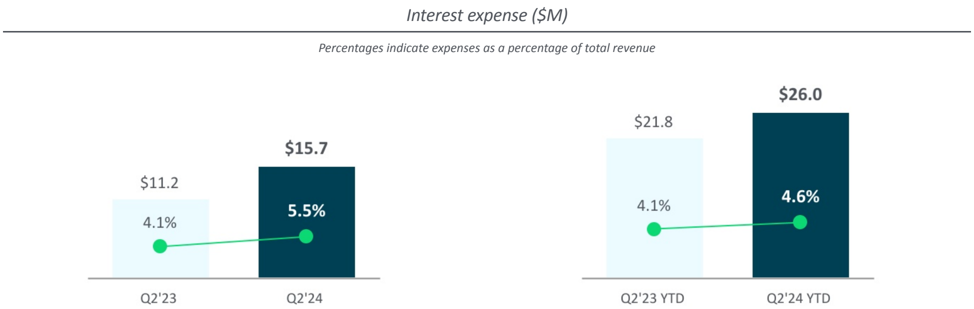
General and administrative

General and administrative expense consists primarily of compensation costs for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development, Security Incident-related expenses (including legal fees, settlements and loss contingency accruals), third-party professional fees, insurance, allocated depreciation, facilities and IT support costs, acquisition-related expenses and other administrative expenses.

General and administrative expense decreased by $25.7 million, or 43.5%, and $30.8 million, or 27.5%, three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023. The decreases in dollars and as a percentage of total revenue were primarily driven by the following:

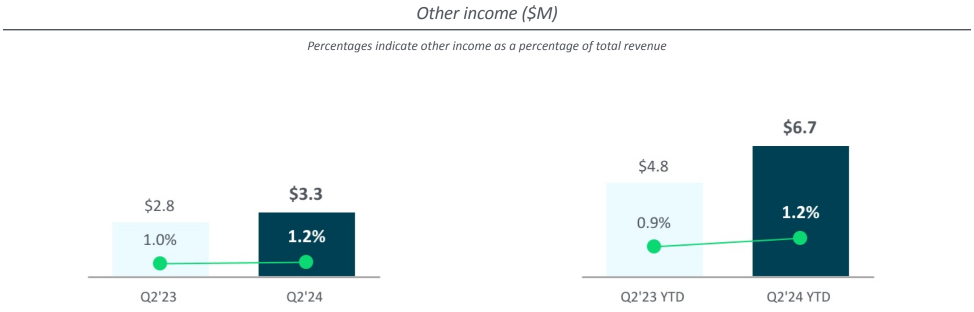
- \- Decreases in Security Incident-related expenses of $25.0 million and $32.4 million, respectively. See "Security Incident update" on page 31
- \- Decrease in stock-based compensation costs of $3.8 million, during the three months ended June 30, 2024, primarily due to estimated overall Company performance against 2024 goals for certain performance-based equity awards
- \- Decrease in corporate costs of $2.4 million, during the six months ended June 30, 2024, primarily related to the release of certain accrued tax liabilities due to favorable sales tax rulings and a decrease in bad debt expense
- \- Decreases in rent expense, net of allocated costs, of $1.7 million and $2.6 million, respectively
- \+ Increases in acquisition and disposition-related costs of $3.2 million and $4.9 million, respectively, primarily related to the noncash impairment charges against certain operating lease right-of-use assets and property and equipment assets resulting from the sublease of our Washington, DC office location and the disposition of EVERFI Limited; see Note 5 and Note 3 to our unaudited, condensed consolidated financial statements in this report for more information. These increases were partially offset by the release of $1.4 million in accrued contingent consideration related to our Kilter acquisition as discussed in Note 3 to the consolidated financial statements in our Annual Report on From 10-K for the year ended December 31, 2023
- \+ Increases in compensation costs other than stock-based compensation of $1.5 million and $2.5 million, respectively, primarily due to an increase in resources dedicated to our cybersecurity program

Interest Expense



The increases in interest expense in dollars and as a percentage of total revenue during the three and six months ended June 30, 2024, when compared to the same periods in 2023, were primarily due to our incremental borrowings to fund our ASR Transaction. We currently expect interest expense for the full year 2024 to be approximately $52 million to $56 million. Our interest expense in connection with the variable rate portion of our outstanding debt could increase in a rising interest rate environment. See Note 8 to our unaudited, condensed consolidated financial statements in this report for more information regarding our derivative instruments, which we use to manage our variable interest rate risk, and Item 3. Quantitative and Qualitative Disclosures about Market Risk: Interest Rate Risk (below) for more information about our variable interest rate exposure and related risk.

Other Income



The increases in other income in dollars and as a percentage of total revenue during the three and six months ended June 30, 2024, when compared to the same periods in 2023, were primarily due to an increase in interest income. Interest income increased primarily due to higher interest earned on restricted cash held and payable by us to customers for our payment processing solutions. See Note 6 to our unaudited, condensed consolidated financial statements in this report for more information regarding our other income.

Deferred Revenue

The table below compares the components of deferred revenue from our unaudited, condensed consolidated balance sheets:

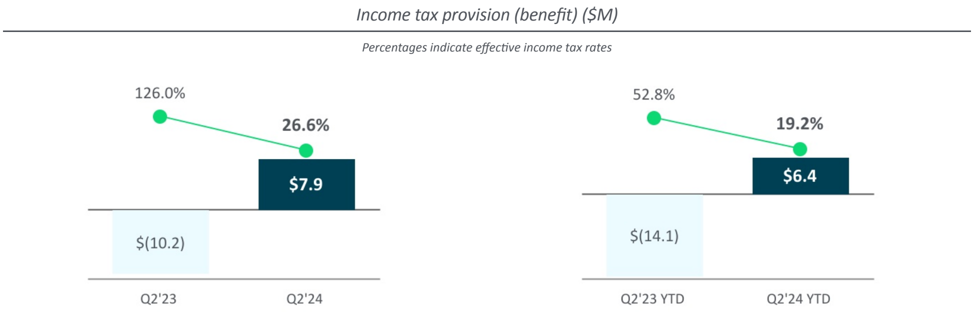
(dollars in millions)	June 30, 2024	December 31, 2023	Change
Deferred revenue[(1)]	$ 429.4	$ 394.9	8.7 %
Less: Long-term portion	2.3	2.4	(3.4)%
Current portion[(1)]	$ 427.1	$ 392.5	8.8 %

(1) The individual amounts for each year may not sum to deferred revenue or current portion of deferred revenue due to rounding.

To the extent that our customers are billed for our solutions and services in advance of delivery, we record such amounts in deferred revenue. Our recurring revenue contracts are generally for a term of three years at contract inception, billed annually in advance, and non-cancelable. We generally invoice our customers with recurring revenue contracts in annual cycles 30 days prior to the end of each one-year period.

The increase in deferred revenue during the six months ended June 30, 2024 was primarily due to a seasonal increase in customer contract renewals. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. Generally, our lowest balance of deferred revenue during the year is at the end of our first quarter.

Income Taxes



The change in our effective income tax rate for the three and six months ended June 30, 2024, when compared to the same periods in 2023 were largely driven by prior year pre-tax losses versus current year pre-tax income. Additionally, the 2024 periods were favorably impacted by benefits attributable to stock-based compensation and research and development tax credits whereas stock-based compensation negatively impacted our effective income tax rates for the 2023 periods. Lastly, the 2023 periods were negatively impacted by non-deductible accruals related to security incident, which have impacted the 2024 periods to a much lesser degree.

Non-GAAP Financial Measures

The operating results analyzed below are presented on a non-GAAP basis. We use non-GAAP financial measures internally in analyzing our operational performance. Accordingly, we believe these non-GAAP measures are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. While we believe these non-GAAP measures provide useful supplemental information, non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies.

The non-GAAP financial measures discussed below exclude the impact of certain transactions because we believe they are not directly related to our operating performance in any particular period, but are for our long-term benefit over multiple periods. We believe that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business.

Blackbaud, Inc.
(Unaudited)

(dollars in millions, except per share amounts)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
GAAP Revenue	$ 287.3	$ 271.0	$ 566.5	$ 532.8
GAAP gross profit	$ 162.6	$ 149.6	$ 315.6	$ 288.2
GAAP gross margin	56.6 %	55.2 %	55.7 %	54.1 %
Non-GAAP adjustments:				
Add: Stock-based compensation expense	3.4	4.1	7.2	8.1
Add: Amortization of intangibles from business combinations	14.6	13.1	29.3	26.2
Add: Employee severance	—	0.1	—	0.8
Subtotal[1]	18.0	17.3	36.5	35.1
Non-GAAP gross profit[1]	$ 180.6	$ 166.9	$ 352.1	$ 323.3
Non-GAAP gross margin	62.9 %	61.6 %	62.1 %	60.7 %
GAAP income (loss) from operations	$ 42.1	$ 0.3	$ 52.8	$ (9.7)
GAAP operating margin	14.7 %	0.1 %	9.3 %	(1.8)%
Non-GAAP adjustments:				
Add: Stock-based compensation expense	24.3	33.4	57.9	63.3
Add: Amortization of intangibles from business combinations	15.5	13.9	31.1	27.8
Add: Employee severance	—	0.6	—	5.0
Add: Acquisition and disposition-related costs	2.4	(0.8)	4.7	(0.2)
Add: Security Incident-related costs[2]	1.8	26.8	12.1	44.6
Subtotal[1]	44.0	73.8	105.8	140.4
Non-GAAP income from operations[1]	$ 86.1	$ 74.1	$ 158.6	$ 130.7
Non-GAAP operating margin	30.0 %	27.4 %	28.0 %	24.5 %
GAAP income (loss) before provision (benefit) for income taxes	$ 29.7	$ (8.1)	$ 33.5	$ (26.7)
GAAP net income (loss)	$ 21.8	$ 2.1	$ 27.1	$ (12.6)
Shares used in computing GAAP diluted earnings (loss) per share	51,677,418	53,643,124	52,371,927	52,389,112
GAAP diluted earnings (loss) per share	$ 0.42	$ 0.04	$ 0.52	$ (0.24)
Non-GAAP adjustments:				
Add: GAAP income tax provision (benefit)	7.9	(10.2)	6.4	(14.1)
Add: Total non-GAAP adjustments affecting income from operations	44.0	73.8	105.8	140.4
Non-GAAP income before provision for income taxes	73.7	65.8	139.2	113.7
Assumed non-GAAP income tax provision[3]	18.1	13.2	34.1	22.7
Non-GAAP net income[1]	$ 55.7	$ 52.6	$ 105.1	$ 90.9
Shares used in computing non-GAAP diluted earnings per share	51,677,418	53,643,124	52,371,927	53,168,985
Non-GAAP diluted earnings per share	$ 1.08	$ 0.98	$ 2.01	$ 1.71

(1) The individual amounts for each year may not sum to subtotal, non-GAAP gross profit, non-GAAP income from operations, non-GAAP income before provision for income taxes or non-GAAP net income due to rounding.

(2) Includes Security Incident-related costs incurred during the three and six months ended June 30, 2024 of $1.8 million and $12.1 million, respectively, which includes approximately $0.0 million and $7.0 million, respectively, in recorded liabilities for loss contingencies and during the three and six months ended June 30, 2023 of $26.8 million and $44.6 million, respectively, which included approximately $19.8 million and $30.0 million, respectively, in recorded aggregate liabilities for loss contingencies. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program. For full year 2024, we currently expect pre-tax expenses of approximately $5 million to $10 million and cash outlays of approximately $8 million to $13 million for ongoing legal fees related to the Security Incident. Not included in these ranges are our previous settlements or current accruals for loss contingencies related to the matters discussed below. In line with our policy, legal fees are expensed as incurred. As of June 30, 2024, we have recorded approximately $8.5 million in aggregate liabilities for loss contingencies, which included $6.8 million for our settlement with the Attorney General of the State of California on June 13, 2024 that we paid in the third quarter of 2024, and other accruals based primarily on recent negotiations with certain customers related to the Security Incident that we believe we can reasonably estimate. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss. There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of June 30, 2024 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgment, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

(3) Beginning in 2024, we now apply a non-GAAP effective tax rate of 24.5% when calculating non-GAAP net income and non-GAAP diluted earnings per share. For the three and six months ended June 30, 2023, the tax impact related to non-GAAP adjustments is calculated under our historical non-GAAP effective tax rate of 20.0%.

Non-GAAP organic revenue growth

In addition, we use non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis, non-GAAP organic recurring revenue growth and non-GAAP organic recurring revenue growth on a constant currency basis in analyzing our operating performance. We believe that these non-GAAP measures are useful to investors, as a supplement to GAAP measures, for evaluating the periodic growth of our business on a consistent basis. Each of these measures of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies, if any, acquired in the immediately preceding fiscal year, each of these non-GAAP organic revenue growth measures reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period. In addition, each of these non-GAAP organic revenue growth measures excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. We believe this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate.

(dollars in millions)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
GAAP revenue[(1)]	$ 287.3	$ 271.0	$ 566.5	$ 532.8
GAAP revenue growth	**6.0 %**		**6.3 %**	
Less: Non-GAAP revenue from divested businesses[(2)]	—	(1.9)	—	(2.5)
Non-GAAP organic revenue[(3)]	$ 287.3	$ 269.2	$ 566.5	$ 530.3
Non-GAAP organic revenue growth	**6.7 %**		**6.8 %**	
Non-GAAP organic revenue[(3)]	$ 287.3	$ 269.2	$ 566.5	$ 530.3
Foreign currency impact on Non-GAAP organic revenue[(4)]	(0.2)	—	(1.1)	—
Non-GAAP organic revenue on constant currency basis[(4)]	$ 287.1	$ 269.2	$ 565.4	$ 530.3
Non-GAAP organic revenue growth on constant currency basis	**6.6 %**		**6.6 %**	
GAAP recurring revenue	$ 281.4	$ 262.4	$ 552.9	$ 515.1
GAAP recurring revenue growth	**7.2 %**		**7.3 %**	
Less: Non-GAAP recurring revenue from divested businesses[(2)]	—	—	—	—
Non-GAAP organic recurring revenue[(3)]	$ 281.4	$ 262.4	$ 552.9	$ 515.1
Non-GAAP organic recurring revenue growth	**7.2 %**		**7.3 %**	
Non-GAAP organic recurring revenue[(3)]	$ 281.4	$ 262.4	$ 552.9	$ 515.1
Foreign currency impact on non-GAAP organic recurring revenue[(4)]	(0.2)	—	(1.1)	—
Non-GAAP organic recurring revenue on constant currency basis[(4)]	$ 281.2	$ 262.4	$ 551.8	$ 515.1
Non-GAAP organic recurring revenue growth on constant currency basis	**7.2 %**		**7.1 %**	

(1) Includes EVERFI revenue of $23.8 million and $27.3 million for the three months ended June 30, 2024 and 2023, respectively, and $47.3 million and $54.2 million for the six months ended June 30, 2024 and 2023, respectively.
(2) Non-GAAP revenue from divested businesses excludes revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested business with the results of the combined company for the same period of time in both the prior and current periods.
(3) Non-GAAP organic revenue and non-GAAP organic recurring revenue for the prior year periods presented herein may not agree to non-GAAP organic revenue and non-GAAP organic recurring revenue presented in the respective prior period quarterly financial information solely due to the manner in which non-GAAP organic revenue growth and non-GAAP organic recurring revenue growth are calculated.
(4) To determine non-GAAP organic revenue growth and non-GAAP organic recurring revenue growth on a constant currency basis, revenues from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and Euro.

Rule of 40

We define Rule of 40 as non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; employee severance; acquisition and disposition-related costs; restructuring and other real estate activities; Security Incident-related costs; and impairment of capitalized software development costs.

	Three months ended June 30,		Six months ended June 30,	
(dollars in millions)	**2024**	**2023**	**2024**	**2023**
GAAP net income (loss)	$ 21.8	$ 2.1	$ 27.1	$ (12.6)
Non-GAAP adjustments:				
Add: Interest, net	12.9	8.9	21.1	18.3
Add: GAAP income tax provision (benefit)	7.9	(10.2)	6.4	(14.1)
Add: Depreciation	3.3	3.3	6.3	6.6
Add: Amortization of intangibles from business combinations	15.5	13.9	31.1	27.8
Add: Amortization of software and content development costs(1)	12.6	10.9	24.7	21.5
Subtotal(2)	52.2	26.8	89.7	60.1
Non-GAAP EBITDA(2)	$ 74.0	$ 28.9	$ 116.8	$ 47.5
Non-GAAP EBITDA margin(3)	25.8 %		20.6 %	
Non-GAAP adjustments:				
Add: Stock-based compensation expense	24.3	33.4	57.9	63.3
Add: Employee severance	—	0.6	—	5.0
Add: Acquisition and disposition-related costs	2.4	(0.8)	4.7	(0.2)
Add: Security Incident-related costs(4)	1.8	26.8	12.1	44.6
Subtotal(2)	28.5	59.9	74.7	112.6
Non-GAAP Adjusted EBITDA(2)	$ 102.5	$ 88.8	$ 191.4	$ 160.1
Non-GAAP Adjusted EBITDA margin(5)	**35.7 %**		**33.8 %**	
Rule of 40(6)	**42.4 %**		**40.6 %**	
Non-GAAP adjusted EBITDA	102.5	88.8	191.4	160.1
Foreign currency impact on Non-GAAP adjusted EBITDA(7)	(0.1)	0.6	(0.5)	1.9
Non-GAAP adjusted EBITDA on constant currency basis(7)	$ 102.4	$ 89.4	$ 190.9	$ 162.0
Non-GAAP adjusted EBITDA margin on constant currency basis	**35.7 %**		**33.8 %**	
Rule of 40 on constant currency basis(8)	**42.3 %**		**40.4 %**	

(1) Includes amortization expense related to software development costs and amortization expense from capitalized cloud computing implementation costs.
(2) The individual amounts for each year may not sum to subtotal, non-GAAP EBITDA, non-GAAP adjusted EBITDA or non-GAAP adjusted EBITDA on a constant currency basis due to rounding.
(3) Measured by GAAP revenue divided by non-GAAP EBITDA.
(4) See additional details in the reconciliation of GAAP to Non-GAAP operating income above.
(5) Measured by non-GAAP organic revenue divided by non-GAAP adjusted EBITDA.
(6) Measured by non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin. See Non-GAAP organic revenue growth table above.
(7) To determine non-GAAP adjusted EBITDA on a constant currency basis, non-GAAP adjusted EBITDA from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and Euro.
(8) Measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP adjusted EBITDA margin on constant currency basis. See Non-GAAP organic revenue growth table above.

Non-GAAP free cash flow and non-GAAP adjusted free cash flow

Non-GAAP free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, and capital expenditures for property and equipment.

Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development and capital expenditures for property and equipment, plus cash outflows related to the Security Incident.

We believe non-GAAP free cash flow and non-GAAP adjusted free cash flow provides useful measures of the Company's operating performance. Non-GAAP adjusted free cash flow is not intended to represent and should not be viewed as the amount of residual cash flow available for discretionary expenditures.

	Six months ended June 30,	
(dollars in millions)	**2024**	**2023**
GAAP net cash provided by operating activities	$ 118.4	$ 75.0
GAAP operating cash flow margin	20.9 %	14.1 %
Non-GAAP adjustments:		
Less: purchase of property and equipment	(6.1)	(2.8)
Less: capitalized software and content development costs	(28.4)	(28.8)
Non-GAAP free cash flow(1)	$ 83.9	$ 43.5
Non-GAAP free cash flow margin	14.8 %	8.2 %
Non-GAAP adjustments:		
Add: Security Incident-related cash flows	5.8	15.8
Non-GAAP adjusted free cash flow(1)	$ 89.7	$ 59.3
Non-GAAP adjusted free cash flow margin	15.8 %	11.1 %

(1) The individual amounts for each year may not sum to non-GAAP free cash flow or non-GAAP adjusted free cash flow due to rounding.

Seasonality

Our revenues normally fluctuate as a result of certain seasonal variations in our business. Our first quarter has historically been the seasonal low for bookings, with the second and fourth quarters historically being seasonally higher, and our bookings tend to be back-end loaded within individual quarters given our quarterly quota plans. Transactional revenue is non-contractual and less predictable given the susceptibility to certain drivers such as timing and number of events and marketing campaigns, as well as fluctuations in donation volumes and tuition payments. Our transactional revenue has historically been at its lowest in the first quarter due to the timing of customer fundraising initiatives and events. We have historically experienced seasonal highs during the fourth quarter due to year-end giving campaigns and during the second quarter when a large number of events are held. Our revenue from professional services has historically been lower in the first quarter when many of those services commence and in the fourth quarter due to the holiday season. As a result of these and other factors, our total revenue has historically been lower in the first quarter than in the remainder of our fiscal year, with the fourth quarter historically achieving the highest total revenue. Our expenses, other than transaction-based costs related to our payments services, do not vary significantly as a result of these factors, but do fluctuate on a quarterly basis due to varying timing of expenditures.

Our cash flow from operations normally fluctuates quarterly due to the combination of the timing of customer contract renewals including renewals associated with customers of acquired companies, delivery of professional services and occurrence of customer events, as well as merit-based salary increases, among other factors. Historically, due to lower revenues in our first quarter, combined with the payment of certain annual vendor contracts, our cash flow from operations has been lowest in our first quarter. Due to the timing of customer contract renewals and student enrollments, many of which take place at or near the beginning of our third quarter, our cash flow from operations has generally been lower in our second quarter as compared to our third and fourth quarters. Partially offsetting these favorable drivers of cash flow from operations in our third and fourth quarters are base salary merit increases, which occur in July. In addition, deferred revenues can vary on a seasonal basis due to the timing of customer contract renewals and student enrollments or significant acquisitions. Our cash flow from financing is negatively impacted in our first quarter when most of our equity awards vest, as we pay taxes on behalf of our employees related to the settlement or exercise of equity awards.

These patterns may change as a result of the continued shift to online giving, growth in volume of transactions for which we process payments, large dollar customer bookings and contract renewals, fluctuations in the timing of vendor payments, or as a result of acquisitions, new market opportunities, new solution introductions or other factors.

Liquidity and Capital Resources

The following table presents selected financial information about our financial position:

(dollars in millions)	June 30, 2024	December 31, 2023	Change
Cash and cash equivalents	$ 30.4	$ 31.3	(2.6)%
Property and equipment, net	98.1	98.7	(0.6)%
Software and content development costs, net	165.5	160.2	3.3 %
Total carrying value of debt	1,021.9	779.7	31.1 %
Working capital	(269.8)	(267.4)	(0.9)%

The following table presents selected financial information about our cash flows:

	Six months ended June 30,		
(dollars in millions)	2024	2023	Change
Net cash provided by operating activities	$ 118.4	$ 75.0	57.9 %
Net cash used in investing activities	(40.7)	(31.5)	29.1 %
Net cash provided by financing activities	25.7	10.4	145.7 %

Our principal sources of liquidity are our operating cash flow, funds available under the 2024 Credit Facilities and cash on hand. Our operating cash flow depends on continued customer renewal of our subscription and maintenance arrangements, market acceptance of our solutions and services, the volume and size of transactions for which we process payments and our customers' ability to pay. Based on current estimates of revenue and expenses, we believe that the currently available sources of funds and anticipated cash flows from operations will be adequate for at least the next twelve months to finance our operations, fund anticipated capital expenditures and meet our debt obligations. We also believe that we will be able to continue to meet our long-term cash requirements due to our anticipated cash flow from operations, solid financial position and ability to access capital from financial markets. To the extent we undertake future material acquisitions or investments or unanticipated capital or operating expenditures, including in connection with the Security Incident, we may require additional capital. In that context, we regularly evaluate opportunities to enhance our capital structure, including through potential debt or equity issuances.

As a well-known seasoned issuer, we filed an automatic shelf registration statement for an undetermined amount of debt and equity securities with the SEC on January 14, 2022. Under this universal shelf registration statement we may offer and sell, from time to time, debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts and stock purchase units. Subject to certain conditions, this registration statement will be effective through January 13, 2025.

At June 30, 2024, our total cash and cash equivalents balance included approximately $16.5 million of cash that was held by operations outside the U.S. While these funds may not be needed to fund our U.S. operations for at least the next twelve months, if we need these funds, we may be required to accrue and pay taxes to repatriate the funds. We currently do not intend nor anticipate a need to repatriate our cash held outside the U.S.

Operating Cash Flow

Our cash flows from operations are derived principally from: (i) our earnings from on-going operations prior to non-cash expenses such as depreciation, amortization, stock-based compensation, deferred taxes, amortization of deferred financing costs and debt discount and adjustments to our provision for credit losses and sales returns; and (ii) changes in our working capital.

Working capital changes are composed of changes in accounts receivable, prepaid expenses and other assets, trade accounts payable, accrued expenses and other liabilities, and deferred revenue.

Net cash provided by operating activities increased by $43.4 million during the six months ended June 30, 2024, when compared to the same period in 2023, primarily due to a $57.8 million increase in net income adjusted for non-cash expenses and a $14.3 million decrease in cash flow from operations associated with working capital.

The decrease in cash flow from operations associated with working capital during the six months ended June 30, 2024, when compared to the same period in 2023, was primarily due to:

- a decrease in accrued expenses related to the Security Incident;
- a decrease in taxes payable; partially offset by
- fluctuations in the timing of vendor payments.

Security Incident update

As discussed in Note 9 to our unaudited, condensed consolidated financial statements in this report, total costs related to the Security Incident exceeded the limit of our insurance coverage in the first quarter of 2022. Accordingly, the Security Incident has negatively impacted, and we expect it to continue for the foreseeable future to negatively impact, our GAAP profitability and GAAP cash flow (see discussion regarding non-GAAP free cash flow and non-GAAP adjusted free cash flow on page 43). For full year 2024, we currently expect pre-tax expenses of approximately $5 million to $10 million and cash outlays of approximately $8 million to $13 million for ongoing legal fees related to the Security Incident. In line with our policy, legal fees are expensed as incurred. Not included in these ranges are our previous settlements or current accruals for loss contingencies related to the matters discussed below.

As of June 30, 2024, we have recorded approximately $8.5 million in aggregate liabilities for loss contingencies, which included $6.8 million for our settlement with the Attorney General of the State of California on June 13, 2024 that we paid in the third quarter of 2024, and other accruals based primarily on recent negotiations with certain customers related to the Security Incident that we believed we could reasonably estimate in accordance with our loss contingency procedures described above and as more fully described in Note 9. It is reasonably possible that our estimated actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of June 30, 2024 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgment, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Investing Cash Flow

Net cash used in investing activities of $40.7 million increased by $9.2 million during the six months ended June 30, 2024, when compared to the same period in 2023.

During the six months ended June 30, 2024, we used $28.4 million for software and content development costs, which was down $0.4 million from cash spent during the same period in 2023. We also spent $6.1 million of cash for purchases of property and equipment during the six months ended June 30, 2024, which was an increase of $3.3 million when compared to the same period in 2023. In addition, we used net cash of $1.2 million in the disposition of a business and $5.0 million for a minor investment in a business during the six months ended June 30, 2024.

Financing Cash Flow

During the six months ended June 30, 2024, we had a net increase in borrowings of $244.9 million, primarily due to our ASR Transaction (as defined below) in March 2024. We also paid $6.5 million in debt issuance costs in conjunction with our April 2024 refinancing.

We paid $54.5 million to satisfy tax obligations of employees upon settlement of equity awards during the six months ended June 30, 2024 compared to $33.7 million during the same period in 2023. The amount of taxes paid by us on behalf of employees related to the settlement of equity awards varies from period to period based upon the timing of grants and vesting, as well as the market price for shares of our common stock at the time of settlement. Most of our equity awards currently vest in our first quarter.

During the six months ended June 30, 2024, cash flow from financing activities associated with changes in restricted cash due to customers increased $106.9 million, compared to an increase of $61.3 million during the same period in 2023. This line in the statement of cash flows represents the change in the amount of restricted cash held and payable by us to customers from one period to the next.

Stock repurchase program

On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $250.0 million to $500.0 million available for repurchases. The program does not have an expiration date. Under the stock repurchase program, we are authorized to repurchase shares from time to time in accordance with applicable laws both on the open market, including under trading plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and in privately negotiated transactions. The timing and amount of repurchases depends on several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice.

In March 2024, we announced that we intend to repurchase between 7% and 10% of our outstanding common stock as of December 31, 2023 under our repurchase program. Consistent with that commitment, in March 2024, we entered into the ASR Transaction to repurchase an aggregate $200 million of shares of our common stock. Pursuant to the terms of the ASR Transaction, we provided the financial institution with a prepayment of $200 million and received an initial delivery of 2.1 million shares of our common stock, representing approximately 70% of the total shares then-expected to be repurchased under the ASR Transaction. The final number of shares of common stock delivered to us under the ASR Transaction will be based on the average of the daily volume-weighted average prices of the common stock during the term of the ASR Transaction, less a discount and subject to customary adjustments upon events affecting the common stock (e.g., dilutive or concentrative events, mergers and acquisitions, and market disruptions). The final settlement of the ASR Transaction is scheduled to occur by the fourth quarter of 2024, unless settled earlier at the election of the financial institution.

The difference of $52.2 million between the prepayment of $200 million and the value of the shares repurchased on the ASR Transaction date represents an unsettled prepaid forward contract indexed to our common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument as of June 30, 2024. Because of our ability to settle in shares, the $52.2 million prepaid forward contract was classified as a reduction to additional paid-in capital within our unaudited, condensed consolidated statement of stockholders' equity in this report. We funded the ASR Transaction prepayment with borrowings pursuant to a revolving credit loan under the 2024 Credit Facilities.

During the three months ended June 30, 2024, we did not repurchase any shares. During the six months ended June 30, 2024, we repurchased 2,954,211 shares for $262.6 million, representing approximately 5.5% of the Company's common stock outstanding as of December 31, 2023. The remaining amount available to purchase stock under the stock repurchase program was $259.7 million as of June 30, 2024. After 2024, we plan to repurchase shares to at least offset the dilution from our annual stock-based compensation and possibly beyond that amount as market conditions and our strategic plans permit.

On July 16, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by expanding the total capacity under the program from $500.0 million to $800.0 million available for repurchases. As of July 16, 2024, the amount available to purchase stock under the Company's repurchase program was $800.0 million. See Note 13 to our unaudited, condensed financial statements in this report for additional information.

2024 Credit Facilities

Historically, we have drawn on our credit facility from time to time to help us meet financial needs, primarily due to the seasonality of our cash flows from operations and financing for business acquisitions. At June 30, 2024, our available borrowing capacity under the 2024 Credit Facilities was $531.3 million. The 2024 Credit Facilities mature in April 2029.

At June 30, 2024, the carrying amount of our debt under the 2024 Credit Facilities was $963.6 million. Our average daily borrowings during the three and six months ended June 30, 2024 were $994.7 million and $900.4 million, respectively.

The following is a summary of the financial covenants under the 2024 Credit Facilities:

Financial covenant	Requirement	Ratio as of June 30, 2024
Net leverage ratio(1)	≤ 3.75 to 1.00	2.51 to 1.00
Interest coverage ratio	≥ 2.50 to 1.00	9.20 to 1.00

(1) Under the terms of the 2024 Credit Facilities, the Net Leverage Ratio requirement may be increased by up to 0.50 provided we satisfy certain requirements, including a permitted business acquisition, and provided that the maximum Net Leverage Ratio shall not exceed 4.25 to 1.00.

Under the 2024 Credit Facilities, we also have restrictions on our ability to declare and pay dividends and our ability to repurchase shares of our common stock. In order to pay any cash dividends and/or repurchase shares of stock: (i) no default or event of default shall have occurred and be continuing under the 2024 Credit Facilities, and (ii) our pro forma net leverage ratio, as set forth in the 2024 Credit Facilities, must be 0.25 less than the net leverage ratio requirement at the time of dividend declaration or share repurchase. At June 30, 2024, we were in compliance with our debt covenants under the 2024 Credit Facilities. See Note 7 to our unaudited, condensed consolidated financial statements in this report for additional information regarding the 2024 Credit Facilities.

Commitments and Contingencies

	Payments due by period		
(in millions)	Less than 1 year	More than 1 year	Total(1)
Recorded contractual obligations:			
Debt	$ 23.8	$ 1,002.3	$ 1,026.0
Operating leases	6.5	42.2	48.7
Unrecorded contractual obligations:			
Purchase obligations	89.3	138.7	228.0
Interest payments on debt	61.6	263.0	324.5
Total contractual obligations(1)	$ 181.2	$ 1,446.1	$ 1,627.3

(1) The individual amounts may not sum to the total due to rounding.

Debt

As of June 30, 2024, we had total remaining principal payments of $1.0 billion. These payments represent principal payments only, under the following assumptions: (i) that the amounts outstanding under the 2024 Credit Facilities, our real estate loans and our other debt at June 30, 2024 will remain outstanding until maturity, with minimum payments occurring as currently scheduled, and (ii) that there are no assumed future borrowings on the revolving credit loans under the 2024 Credit Facilities for the purposes of determining minimum commitment amounts. See Note 7 to our unaudited, condensed consolidated financial statements in this report for more information.

Interest payments on debt

In addition to principal payments, as of June 30, 2024, we expect to pay interest expense over the life of our debt obligations of approximately $324.5 million. These payments represent our estimated future interest payments on debt using our debt balances and the related weighted average effective interest rates as of June 30, 2024, which includes the effect of interest rate swap agreements. The actual interest expense recognized in our unaudited, condensed consolidated statements of comprehensive income will depend on the amount of debt, the length of time the debt is outstanding and the interest rate, which could be different from our assumptions on our remaining principal payments described above.

Operating leases

As of June 30, 2024, we had remaining operating lease payments of $48.7 million. These payments have not been reduced by sublease income, incentive payments, reimbursement of leasehold improvements or the amount representing imputed interest of $7.6 million. Our operating leases are generally for corporate offices, subleased offices and certain equipment and furniture. Given our remote-first workforce strategy and real estate footprint optimization efforts, as discussed above, we do not anticipate entering any new, material operating leases for offices for the foreseeable future. See Note 9 to our unaudited, condensed consolidated financial statements in this report for more information.

Purchase obligations

As of June 30, 2024, we had remaining purchase obligations of $228.0 million. These purchase obligations are for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. Our purchase obligations are not recorded as liabilities on our unaudited, condensed consolidated balance sheets as of June 30, 2024, as we had not received the related services. See Note 9 to our unaudited, condensed consolidated financial statements in this report for more information.

The total liability for uncertain tax positions as of June 30, 2024 was $3.7 million. Our accrued interest and penalties related to tax positions taken on our tax returns was insignificant as of June 30, 2024.

In connection with the settlement of the multi-state Attorneys General investigation, the California Attorney General investigation and the FTC investigation relating to the Security Incident, as discussed in Note 11 to our audited consolidated financial statements contained in our Annual Report on Form 10-K filed with the SEC on February 21, 2024, we have agreed to implement and improve certain of our cybersecurity programs and tools through May 2044. The currently anticipated costs in connection with these efforts are expected to be expensed as incurred.

Foreign Currency Exchange Rates

Approximately 15% of our total revenue for the six months ended June 30, 2024 was generated from operations outside the U.S. We do not have significant operations in countries in which the economy is considered to be highly inflationary. Our consolidated financial statements are denominated in U.S. dollars and, accordingly, changes in the exchange rate between foreign currencies and the U.S. dollar will affect the translation of our subsidiaries' financial results into U.S. dollars for purposes of reporting our consolidated financial results. The accumulated currency translation adjustment, recorded within accumulated other comprehensive income (loss) as a component of stockholders' equity, was a loss of $10.7 million as of June 30, 2024 and a loss of $9.8 million as of December 31, 2023. We have entered into foreign currency forward contracts to hedge a portion of the foreign currency exposure that arises on translation of our investments denominated in British Pounds into U.S. dollars.

The vast majority of our contracts are entered into by our U.S. or U.K. entities. The contracts entered into by the U.S. entity are almost always denominated in U.S. dollars or Canadian dollars, and contracts entered into by our U.K., Australian and Irish subsidiaries are generally denominated in British Pounds, Australian dollars and Euros, respectively. Historically, as the U.S. dollar weakened, foreign currency translation resulted in an increase in our revenues and expenses denominated in non-U.S. currencies. Conversely, as the U.S. dollar strengthened, foreign currency translation resulted in a decrease in our revenue and expenses denominated in non-U.S. currencies. During the six months ended June 30, 2024, foreign translation resulted in increases in our revenues and expenses denominated in non-U.S. currencies. Though we have exposure to fluctuations in currency exchange rates, primarily those between the U.S. dollar and both the British Pound and Canadian dollar, the impact has generally not been material to our consolidated results of operations or financial position. For the six months ended June 30, 2024, the fluctuation in foreign currency exchange rates increased our total revenue and our income from operations by $1.1 million and an insignificant amount, respectively. We have entered into foreign currency forward contracts to hedge revenues denominated in the Canadian dollar against changes in the exchange rate with the U.S. dollar. We will continue monitoring such exposure and take action as appropriate. To determine the impacts on revenue (or income from operations) from fluctuations in currency exchange rates, current period revenues (or income from operations) from entities reporting in foreign currencies were translated into U.S. dollars using the comparable prior year period's weighted average foreign currency exchange rates. These impacts are non-GAAP financial information and are not in accordance with, or an alternative to, information prepared in accordance with GAAP.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2024 as compared to those disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Recently Issued Accounting Pronouncements

For a discussion of the impact that recently issued accounting pronouncements are expected to have on our financial position and results of operations when adopted in the future, see Note 2 to our unaudited, condensed consolidated financial statements in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market rate sensitivity for interest rates and foreign currency exchange rates.

Interest Rate Risk

Our variable rate debt is our primary financial instrument with market risk exposure for changing interest rates. We manage our variable rate interest rate risk through a combination of short-term and long-term borrowings and the use of derivative instruments entered into for hedging purposes. Our interest rate exposure includes SOFR rates. Due to the nature of our debt, the materiality of the fair values of the derivative instruments and the highly liquid, short-term nature and level of our cash and cash equivalents as of June 30, 2024, we believe that the risk of exposure to changing interest rates for those positions is immaterial. There were no significant changes in how we manage interest rate risk between December 31, 2023 and June 30, 2024.

Foreign Currency Risk

For a discussion of our exposure to foreign currency exchange rate fluctuations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Foreign Currency Exchange Rates” in this report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e) and 15d-15(e)) are designed only to provide reasonable assurance that they will meet their objectives. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e)) pursuant to Securities Exchange Act Rule 13a-15(b). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to provide the reasonable assurance discussed above.

Changes in Internal Control Over Financial Reporting

No changes in internal control over financial reporting occurred during the most recent fiscal quarter ended June 30, 2024 with respect to our operations, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of our legal proceedings, see Note 9 to our unaudited, condensed consolidated financial statements in this report.

ITEM 1A. RISK FACTORS

We are supplementing Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on February 21, 2024 (the “Annual Report”). The following risk factors should be read in conjunction with the risk factors set forth in that Annual Report.

Operational Risks

The Security Incident has had, and may continue to have, numerous adverse effects on our business, results of operations, financial condition and cash flows.

As previously disclosed, on July 16, 2020, we contacted certain customers to inform them about the Security Incident, including that in May 2020 we discovered and stopped a ransomware attack. Prior to our successfully preventing the cybercriminal from blocking our system access and fully encrypting files, and ultimately expelling them from our system with no significant disruption to our operations, the cybercriminal removed a copy of a subset of data from our self-hosted environment that affected over 13,000 customers. Based on the nature of the incident, our research and third party (including law enforcement) investigation we believe that no data went beyond the cybercriminal, was or will be misused, or will be disseminated or otherwise made available publicly. However, our investigation into the Security Incident remains ongoing and may provide additional information.

To date, we have received approximately 260 specific requests from customers for reimbursement of expenses incurred by them related to the Security Incident, all of which have been fully resolved and closed or are inactive and are considered by us to have been abandoned by the customers. We have also received approximately 400 reservations of the right to seek expense recovery in the future from customers or their attorneys in the U.S., U.K. and Canada related to the Security Incident, none of which resulted in claims submitted to us and are considered by us to have been abandoned by the customers. We have also received notices of proposed claims on behalf of a number of U.K. data subjects, which we are reviewing. In addition, insurance companies representing various customers’ interests through subrogation claims have contacted us, and certain insurance companies have filed subrogation claims in court, of which three cases remain active and unresolved. In addition, presently, we are a defendant in putative consumer class action cases in U.S. federal courts (most of which have been consolidated under multi district litigation to a single federal court) and in Canadian courts alleging harm from the Security Incident. The plaintiffs in these cases, who generally purport to represent various classes of individual constituents of our customers, generally claim to have been harmed by alleged actions and/or omissions by us in connection with the Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys’ fees, and other related relief. On May 14, 2024, the Court issued a memorandum opinion and order (1) denying the multi district litigation plaintiffs' motion for class certification because of the plaintiffs' failure to meet their burden of proof as to ascertainability, (2) granting our motion to exclude the multi district litigation plaintiffs' expert on the issue of ascertainability, and (3) denying the multi district litigation plaintiffs' motion to exclude our expert on the issue of ascertainability. Further, the Court denied as moot all other pending motions. On May 28, 2024, the plaintiffs filed a petition for permission to appeal under Rule 23(f) of the Federal Rules of Civil Procedure with the Fourth Circuit Court of Appeals (the “Fourth Circuit”) and we subsequently filed an opposition to such petition. On July 30, 2024, the Fourth Circuit denied the plaintiffs' petition. This litigation remains ongoing. We are subject to pending governmental actions or investigations by the U.S. Department of Health and Human Services, the Office of the Australian Information Commissioner and the Office of the Privacy Commissioner of Canada. (See Note 9 to our unaudited, condensed consolidated financial statements included in this report for a more detailed description of the Security Incident and related matters.)

On March 9, 2023, the Company reached a settlement with the SEC in connection with the Security Incident that fully resolved the previously disclosed SEC investigation of the Security Incident.

On October 5, 2023, the Company entered into separate, substantially similar Administrative Orders with each of 49 state Attorneys General and the District of Columbia in connection with the Security Incident which fully resolved the previously disclosed multi-state Civil Investigative Demand and the separate Civil Investigative Demand from the Office of the Indiana Attorney General relating to the Security Incident.

On May 20, 2024, the U.S. Federal Trade Commission (the "FTC") finalized an Order (the “FTC Order”) evidencing its settlement with us in connection with the Security Incident. As part of the FTC Order, we were not fined and were not otherwise required to make any payment. Furthermore, we agreed to the FTC Order without admitting or denying any of the FTC’s allegations, except as expressly stated otherwise in the FTC Order. The settlement described in the FTC Order fully resolved the FTC investigation. For more information, see the form of proposed order that was furnished as Exhibit 99.2 to our Current Report on Form 8-K filed with the SEC on February 2, 2024 and is identical in substance to the final FTC Order, and in Note 11 to our audited consolidated financial statements contained in our Annual Report on Form 10-K filed with the SEC on February 21, 2024.

As previously disclosed, on June 13, 2024, we agreed to a Final Judgment and Permanent Injunction with the Attorney General of the State of California (the "Final Judgment") relating to the Security Incident. This settlement fully resolved the last remaining U.S. state attorney general investigation into the Security Incident. Under the terms of the settlement, we agreed to comply with applicable laws; not to make misleading statements related to our data protection, privacy, security, confidentiality, integrity, breach notification requirements, and similar matters; and to implement and improve certain cybersecurity programs and tools. The terms of the settlement with California are generally consistent with those to which we agreed in settling with the other 49 state Attorneys General and the District of Columbia on October 5, 2023, as discussed below. As part of the settlement, we also agreed to pay a total of $6.8 million to the State of California. This amount was fully accrued as a contingent liability in the Company's financial statements as of March 31, 2024 and June 30, 2024, and subsequently paid in the third quarter of 2024. By agreeing to the Final Judgment, Blackbaud has denied wrongdoing or liability of any kind. Nothing contained in the Final Judgment is intended to be, and shall not in any event be construed or deemed to be, an admission or concession or evidence of any liability or wrongdoing whatsoever on the part of Blackbaud or any fact or violation of law, rule, or regulation. For more information, see the Final Judgment and Permanent Injunction of the State of California, County of San Diego that was furnished as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on June 14, 2024.

As noted above, the terms of the Final Judgment, FTC Order, the Attorneys General Administrative Orders and our settlement with the SEC require that we implement and maintain certain processes and programs and comply with certain legal requirements related to cybersecurity and data protection. Any future regulatory investigation or litigation settlements may also contain such requirements. Effectively implementing, monitoring and updating these requirements is expected to be expensive and time-consuming over an extended period. Our failure to do so in accordance with the terms of our agreements with FTC, the Attorneys General and with the SEC, and possibly others, could expose us to additional material liability under the terms of the Administrative Orders, the SEC settlement, or otherwise.

See Note 9 to our unaudited, condensed consolidated financial statements in this report for a more detailed description of the Security Incident and related matters.

We may be named as a party in additional lawsuits, other claims may be asserted by or on behalf of our customers or their constituents, and we may be subject to additional governmental inquires, requests or investigations. Responding to and resolving these current and any future lawsuits, claims and/or investigations could result in material remedial and other expenses that will not be covered by insurance. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued. Certain governmental authorities are seeking to impose undertakings, injunctive relief, consent decrees, or other civil or criminal penalties, which could, among other things, materially increase our data security costs or otherwise require us to alter how we operate our business. Although we intend to defend ourselves vigorously against the claims asserted against us, we cannot predict the potential outcomes, cost and expenses associated with current and any future claims, lawsuits, inquiries and investigations.

In addition, any legislative or regulatory changes adopted in reaction to the Security Incident or other companies’ data breaches could require us to make modifications to the operation of our business that could have an adverse effect and/or increase or accelerate our compliance costs.

Significant management time and Company resources have been, and are expected to continue to be, devoted to the Security Incident. For example, for the three and six months ended June 30, 2024, we incurred net pre-tax expenses of $1.8 million and $12.1 million, respectively, related to the Security Incident, which included $1.8 million and $5.1 million, respectively, for ongoing legal fees and additional accruals for loss contingencies of $0.0 million and $7.0 million, respectively. During the six months ended June 30, 2024, we had cash outlays of $5.8 million related to the Security Incident for ongoing legal fees. For full year 2023, we currently expect pre-tax expenses of approximately $5.0 million to $10.0 million and cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident. Although we carry insurance against certain losses related to the Security Incident, we exceeded the limit of that insurance coverage in the first quarter of 2022. As a result, we will be responsible for all expenses or other losses (including penalties, fines or other judgments) or all types of claims that may arise in connection with the Security Incident, which could materially and adversely affect our liquidity and results of operations. (See Note 9 to our unaudited, condensed consolidated financial statements in this report.) If any such fines or penalties were great enough that we could not pay them through funds generated from operating activities and/or cause a default under the 2024 Credit Facilities, we may be forced to renegotiate or obtain a waiver under the 2024 Credit Facilities and/or seek additional debt or equity financing. Such renegotiation or financing may not be available on acceptable terms, or at all. In these circumstances, if we were unable to obtain sufficient financing, we may not be able to meet our obligations as they come due.

In addition, publicity or developments related to the Security Incident could in the future have a range of other adverse effects on our business or prospects, including causing or contributing to loss of customer confidence, reduced customer demand, reduced customer retention, strategic growth opportunities, and associated retention and recruiting difficulties, some or all of which could be material.

Defects, delays or interruptions in our cloud solutions, hosting services and payment services, including those caused by our vendors, partners or other third parties (such as the CrowdStrike Event described below), could diminish demand for these services and subject us to substantial liability.

We utilize data center hosting facilities to provide cloud solutions to a significant number of our subscription customers, hosting services to our on-premise license customers and transactional payment services. Any damage to, or failure of, these systems or services generally could result in, and have resulted in (as described below), interruptions in service to our customers, notwithstanding any business continuity or disaster recovery agreements or arrangements that may be in place. Our executive offices and some of our data centers are located in areas that are vulnerable to the effects of climate change and could be subject to increased interruptions as a result of the severity and increased frequency of extreme weather events such as hurricanes, wildfires, floods, heat waves, or power shortages. Furthermore, because our cloud solutions, hosting service offerings and payment services are complex and incorporate a variety of computer hardware and software systems, our services have in the past developed, and may again develop, errors or defects, whether of our own creation or caused by third parties, that have, and could again, result in unanticipated downtime or other problems for our customers and us. Internet-based services sometimes contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our web-based services and new errors might again be detected in the future. In addition, our customers might use our Internet-based offerings in unanticipated ways that cause a disruption in service for other customers attempting to access their data.

For example, on July 19, 2024, CrowdStrike Holdings, Inc. (“CrowdStrike”), which provides cybersecurity services to millions of Microsoft Windows systems worldwide, including to certain Windows systems operated by Blackbaud, implemented a software update to its Falcon sensor software that was flawed and caused Falcon to crash, thereby causing widespread crashes of Windows systems into which it was integrated, including certain Windows systems used by us and certain of our customers (the “CrowdStrike Event”). As a result, some of our customers were unable to access certain of our services and solutions, including our payments processing solutions. We are still evaluating the actual and potential impact of the CrowdStrike Event on Blackbaud, both directly and indirectly due to the impact on our customers.

Because our customers use our services for important aspects of their businesses, any defects, delays or disruptions in service or other performance problems with our services, such as the CrowdStrike Event, could hurt our reputation, damage our customers' businesses and result in liability for the Company. For example, customers could elect to cancel their service, delay or withhold payment to us, not purchase from us in the future or make claims against us, which could result in an increase in our provision for credit losses, an increase in collection cycles for accounts receivable, loss of revenue or the expense and risk of litigation. Any of these could materially harm our business, reputation, financial condition and results of operations.

Financial Risks

We significantly increased our leverage in connection with acquisition of EVERFI and stock repurchases, and may increase our leverage in the future in connection with additional acquisitions, Security Incident costs or other business purposes, which could adversely impact our business and financial performance.

We incurred a substantial amount of indebtedness in connection with acquisitions, including our acquisition of EVERFI, Inc. (as described in Note 3 in our most recently filed Annual Report on Form 10-K). As a result of this indebtedness and other borrowings, including our borrowings in March 2024 to fund the ASR Transaction, our interest payment obligations have increased. In addition, we have been named as a party in various lawsuits in connection with the Security Incident, claims have been asserted by or on behalf of our customers or their constituents, and we are subject to various governmental inquires, requests or investigations. Responding to and resolving these current and any future lawsuits, claims and/or investigations could result in material remedial and other expenses. Although we intend to defend ourselves vigorously against the claims asserted against us, we cannot predict the potential outcomes, cost and expenses associated with current and any future claims, lawsuits, inquiries and investigations, which could require that we incur additional indebtedness to fund. (See Note 9 to our unaudited, condensed consolidated financial statements in this report for additional information regarding the Security Incident.)

The degree to which we are leveraged could have adverse effects on our business, including the following:

- Requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends, stock repurchases and other general corporate purposes;
- Increasing the amount of interest we pay, particularly if interest rates increase;
- Limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- Restricting us from making additional strategic acquisitions or exploiting business opportunities;
- Placing us at a competitive disadvantage compared to our competitors that have less debt;
- Reducing our currently available borrowing capacity or limiting our ability to borrow additional funds; and
- Decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions.

If we incur additional debt, these risks may intensify. Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control.

In addition, additional leverage could impact our ability to meet certain financial and other covenants contained in our 2024 Credit Facilities, which increased our total borrowing capacity from $1.1 billion to $1.5 billion. (See Note 7 to our unaudited, condensed consolidated financial statements included in this report for a more detailed description of our 2024 Credit Facilities.) There can be no assurance that we will be able to remain in compliance with the covenants to which we are now subject or may be subject in the future and, if we fail to do so, that we will be able to obtain waivers from our lenders or amend the covenants.

In the event of a default under our 2024 Credit Facilities, we could be required to immediately repay all outstanding borrowings, which we might not be able to do and which would materially negatively affect our business, operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information about shares of common stock acquired or repurchased during the three months ended June 30, 2024 under the stock repurchase program then in effect, as well as common stock withheld by us to satisfy the minimum tax obligations of employees due upon vesting of restricted stock awards and units.

Period	Total number of shares purchased[(1)]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[(2)]	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)
Beginning balance, April 1, 2024				$ 259,716
April 1, 2024 through April 30, 2024	—	$ —	—	259,716
May 1, 2024 through May 31, 2024	22,273	79.05	—	259,716
June 1, 2024 through June 30, 2024	—	—	—	259,716
Total	22,273	$ 79.05	—	$ 259,716

(1) Includes 22,273 shares in May withheld by us to satisfy the minimum tax obligations of employees due upon vesting of restricted stock awards and units. The level of this acquisition activity varies from period to period based upon the timing of award grants and vesting.

(2) In January 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program to authorize us to purchase up to $500.0 million of our outstanding shares of common stock. On July 16, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $500.0 million to $800.0 million available for repurchases. The program does not have an expiration date.

ITEM 5. OTHER INFORMATION

Trading Arrangements Adopted or Terminated

The following table provides information about trading arrangements adopted or terminated by certain of our officers and directors during the three months ended June 30, 2024.

Name and Title	Action	Date of Action	Plan effective date	Plan end date	Plan duration (months)	Trading arrangement[1]		Aggregate number of securities to be sold under plan
						Rule 10b5-1	Non-Rule 10b5-1	
Michael P. Gianoni Chief Executive Officer, President and Vice Chairman of the Board	Termination	4/10/24	2/26/24	8/09/24	Six	X		50,000
Kevin R. McDearis Executive Vice President and Chief Technology Officer	Adoption	5/24/24	8/30/24	2/28/25	Six	X		28,195

(1) An SEC "Rule 10b5-1(c) trading arrangement" is a trading arrangement made by a person through entering into a binding contract, verbal instruction or adoption of a written plan prior to becoming aware of material non-public information. The contract, instruction or written plan must specify the amount, price and date of securities to be sold; include the means for determining the amount, price and date of the sale or sales; and not permit the person to have subsequent influence over the sale or sales. The compliant plan must be entered into and operated in good faith, include a specified cooling off period, be certified by an authorized officer and is restricted from having multiple or overlapping plans. A non-compliant trading arrangement, or a "non-Rule 10b5-1 trading arrangement," is a trading arrangement that has similar requirements to a Rule 10b5-1(c) trading arrangement except that it must be in written form and does not require a cooling off period or certification of an authorized officer and there is no restriction from having multiple or overlapping plans.

None of our officers or directors adopted or terminated a non-Rule 10b5-1 trading arrangement during the three months ended June 30, 2024.

ITEM 6. EXHIBITS

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description of Document	Filed Herewith	Filed In Form	Filed In Exhibit Number	Filed In Filing Date
3.1	Amended and Restated Certificate of Incorporation of Blackbaud, Inc.		DEF 14A		4/30/2009
3.1.1	Amendment to the Amended and Restated Certificate of Incorporation of Blackbaud, Inc.	X			
10.1	Amended and Restated Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan.		DEF 14A	Appendix B	4/23/2024
10.2	Third Amendment to Credit Agreement, dated as of April 30, 2024, by and among Blackbaud, Inc., the lenders party thereto and Bank of America N.A., as administrative agent.		10-Q	10.1	5/01/2024
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL Document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKBAUD, INC.

Date:	July 31, 2024	By:	/s/ Michael P. Gianoni
			Michael P. Gianoni Chief Executive Officer, President and Vice Chairman of the Board (Principal Executive Officer)
Date:	July 31, 2024	By:	/s/ Anthony W. Boor
			Anthony W. Boor Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "BLACKBAUD, INC.", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF JUNE, A.D. 2024, AT 12:48 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

3761397 8100
SR# 20242864600

Authentication: 203705345
Date: 06-13-24

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:48 PM 06/13/2024
FILED 12:48 PM 06/13/2024
SR 20242864600 - File Number 3761397

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
BLACKBAUD, INC.

(Pursuant to Sections 141 and 242 of the
General Corporation Law of the State of Delaware)

Blackbaud, Inc. (the "***Corporation***"), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "***Delaware General Corporation Law***"), hereby certifies as follows:

1. This Certificate of Amendment amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on June 26, 2009, as most recently amended by the Certificate of Elimination filed on March 18, 2024 (the "***Certificate of Incorporation***").

2. Article VIII, Section 1 of the Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

> Section 1. Elimination of Certain Liability of Directors and Officers. A director or officer of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended.
>
> Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director or officer of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.
>
> For purposes of this Article VIII, Section 1, "officer" shall have the meaning provided in Section 102(b)(7) of the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended.

3. This amendment was duly adopted in accordance with the provisions of Sections 141 and 242 of the Delaware General Corporation Law.

4. All other provisions of the Certificate of Incorporation shall remain in full force and effect.

* * * * *

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed on this 13th day of June, 2024.

BLACKBAUD, INC.

By: /s/ Jon W. Olson
Name: Jon W. Olson
Title: Senior Vice President & General Counsel

EXHIBIT 31.1

Blackbaud, Inc.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. Gianoni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blackbaud, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 31, 2024	By:	/s/ Michael P. Gianoni
			Michael P. Gianoni Chief Executive Officer, President and Vice Chairman of the Board (Principal Executive Officer)

EXHIBIT 31.2

Blackbaud, Inc.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony W. Boor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blackbaud, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 31, 2024	By:	/s/ Anthony W. Boor
			Anthony W. Boor Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 32.1

Blackbaud, Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Blackbaud, Inc. (the "Company") for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael P. Gianoni, Chief Executive Officer, President and Vice Chairman of the Board, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	July 31, 2024	By:	/s/ Michael P. Gianoni
			Michael P. Gianoni Chief Executive Officer, President and Vice Chairman of the Board (Principal Executive Officer)

EXHIBIT 32.2

Blackbaud, Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Blackbaud, Inc. (the "Company") for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anthony W. Boor, Executive Vice President and Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	July 31, 2024	By:	/s/ Anthony W. Boor
			Anthony W. Boor Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)