
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **October 31, 2005**

BLACKBAUD, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-50600

(Commission File Number)

11-2617163

(IRS Employer ID Number)

2000 Daniel Island Drive, Charleston, South Carolina

(Address of principal executive offices)

29492

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 31, 2005, Blackbaud, Inc. issued a press release reporting unaudited financial results for the third quarter ended September 30, 2005. A copy of this press release is attached.

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

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated October 31, 2005.

SIGNATURES

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

BLACKBAUD, INC.

Date: October 31, 2005

/s/ Timothy V. Williams
Timothy V. Williams,
Vice President and Chief Financial Officer

BLACKBAUD, INC. ANNOUNCES RECORD THIRD QUARTER 2005 RESULTS, FOURTH QUARTER DIVIDEND AND CEO SUCCESSION PLAN

CHARLESTON, S.C.--October 31, 2005 -- Blackbaud, Inc. (Nasdaq: BLKB), the leading provider of software and related services designed specifically for nonprofit organizations, today announced financial results for its third quarter 2005.

For the quarter ended September 30, 2005, Blackbaud reported total revenue of \$43.1 million, an increase of 18% compared with the third quarter of 2004. License revenue increased 17% to \$7.3 million, services revenue increased 19% to \$14.5 million, and maintenance and subscriptions revenue increased 17% to \$20.0 million over the comparable period.

Robert J. Sywolski, Chief Executive Officer of Blackbaud, stated, "We are very pleased with our third quarter results, which were again highlighted by both strength in our core applications and continued success with our newer solutions. During the quarter we generated the highest quarterly sales growth this year from our core business, thanks to the continued success of our flagship solution, Raisers Edge. Equally important, our new solutions continued to deliver very strong results, with sales growth coming in at over 40%."

Blackbaud's income from operations and net income, determined in accordance with generally accepted accounting principles (GAAP), were \$10.7 million and \$7.7 million, respectively, for the third quarter 2005 compared with income from operations of \$12.7 million and net income of \$7.6 million in the same period last year. GAAP diluted earnings per share were \$0.17 for the quarter ended September 30, 2005, compared with \$0.16 in the same period last year.

For the quarter ended September 30, 2005, pro forma income from operations and net income, which exclude stock-based compensation expense, certain adjustments to our deferred tax asset, costs of the Company's initial public offering in 2004 and amortization of intangibles arising from business combinations, were \$12.3 million and \$7.6 million, respectively, compared with \$11.0 million and \$6.7 million in the same period last year.

Pro forma earnings per share were \$0.17 for the quarter ended September 30, 2005. A reconciliation of GAAP to pro forma results has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Cash from operations for the third quarter and nine months ended September 30, 2005 was \$19.8 million and \$39.1 million, respectively, increases of 15% and 17% respectively over the prior year periods. Blackbaud had cash and cash equivalents of \$20.7 million at September 30, 2005, a decrease from the \$50.4 million level at the end of the prior quarter. As previously announced, in July the Company used \$43.3 million of its cash to repurchase shares of its common stock in a self-tender offer. Additionally after completion of the tender, the Company used \$2.3 million to repurchase another 171,420 shares in the market.

Timothy V. Williams, Chief Financial Officer of Blackbaud, stated, "Blackbaud continues to build on its track record of growth, profitability and predictability. Over the years, our business model has proven to deliver above average visibility compared with the overall software sector, while our business momentum has led to higher revenue growth than in prior years. Additionally, the high levels of profitability produced by our business model and favorable tax position has combined to drive very strong operating cash flows that are well above our earnings"

FOURTH QUARTER DIVIDEND

Blackbaud announced today that its Board of Directors has declared a fourth quarter dividend of \$0.05 per share payable on November 30, 2005 to stockholders of record on November 15, 2005.

CEO SUCCESSION PLAN

The Company announced that Robert J. Sywolski and the Board of Directors have initiated a succession process to identify a new chief executive officer. The Board has commenced a search and has already met with several highly qualified candidates. The Board intends to select and announce a successor as soon as possible and hopefully well before the expiration of Mr. Sywolski's contract in March 2006. Mr. Sywolski said, "Proper CEO succession is a necessary responsibility and critical component to the long-term strategy of any growing, successful company. I believe that now is the right time for Blackbaud to recruit a new CEO with the energy, experience and commitment to lead this Company to continued growth".

CONFERENCE CALL DETAILS

Blackbaud will host a conference call today, October 31, at 5:00 p.m. (EDT) to discuss the Company's financial results, operations and related matters. To access this call, dial 888-802-2266 (domestic) or 913-312-1270 (international). A replay of this conference call will be available through November 4, 2005, at 888-203-1112 (domestic) or 719-457-0820 (international). The replay passcode is 4104567. A live webcast of this conference call will be available on the "Investor Relations" page of the Company's Web site, and a replay will be archived on the Web site as well.

ABOUT BLACKBAUD

Blackbaud is the leading global provider of software and related services designed specifically for nonprofit organizations. Approximately 13,000 organizations - including the American Red Cross, Bowdoin College, the Chesapeake Bay Foundation, the Crohn's & Colitis Foundation of America, the Detroit Zoological Society, Episcopal High School, Help the Aged, the New York Philharmonic and United Way of America - use Blackbaud products and consulting services for fundraising, financial management, business intelligence and school administration. Blackbaud's solutions include The Raiser's Edge(R), The Financial Edge(TM), The Education Edge(TM), The Patron Edge(TM), Blackbaud(R) NetCommunity(TM), The Information Edge(TM), WealthPoint(TM) and ProspectPoint(TM), as well as a wide range of consulting and educational services. Founded in 1981, Blackbaud is headquartered in Charleston, South Carolina, and also has operations in Toronto, Ontario; Glasgow, Scotland; and Sydney, Australia.

Blackbaud, the Blackbaud logo, The Raiser's Edge, The Financial Edge, The Education Edge, The Information Edge, The Patron Edge, Blackbaud NetCommunity, WealthPoint and ProspectPoint are trademarks or registered trademarks of Blackbaud, Inc.

FORWARD-LOOKING STATEMENTS

Except for historical information, all of the statements, expectations and assumptions contained in this news release are forward-looking statements that involve a number of risks and uncertainties. Although Blackbaud attempts to be accurate in making these forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause actual results to differ materially from these forward-looking statements include the following: continued success in sales growth; risks associated with management of growth; the ability to attract and retain key personnel; risks related to our dividend and stock repurchase programs, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; adoption of our products and services by nonprofits; uncertainty regarding increased business and renewals from existing customers; risk associated with product concentration; lengthy sales and implementation cycles; economic conditions and seasonality; competition; risks associated with acquisitions; technological changes that make our products and services less competitive; and the other risk

factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge upon request from Blackbaud's investor relations department.

NON-GAAP FINANCIAL MEASURES

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes pro forma gross margin, pro forma operating income and margin, pro forma net income and pro forma earnings per share. Blackbaud uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Blackbaud's ongoing operational performance. Blackbaud believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial results with other companies in Blackbaud's industry, many of which present similar non-GAAP financial measures to investors. As noted, the non-GAAP financial results discussed above exclude the impact of costs associated with the Blackbaud's IPO (completed on July 22, 2004), amortization of intangibles arising from business combinations, stock option compensation expense and certain adjustments to the deferred tax asset.

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

INVESTOR CONTACT:

Tim Dolan
Integrated Corporate Relations
203-682-8200

MEDIA CONTACT:

Megan McDonnell
Integrated Corporate Relations
203-682-8200

SOURCE: Blackbaud, Inc.

BLACKBAUD, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2005	December 31, 2004
----- (Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,703	\$ 42,144
Accounts receivable, net of allowance of \$1,229 and \$1,420, respectively	22,348	19,580
Prepaid expenses and other current assets	11,945	1,806
Deferred tax asset, current portion	1,022	542
	-----	-----
Total current assets	56,018	64,072
Property and equipment, net	7,389	7,199
Deferred tax asset	75,480	87,522
Goodwill	2,194	1,673
Intangible assets, net	415	-
Other assets	139	342
	-----	-----
Total assets	\$ 141,635	\$ 160,808
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 2,742	\$ 2,653
Current portion of capital lease obligations	-	44
Accrued expenses and other current liabilities	14,736	16,019
Deferred revenue	59,736	51,593
	-----	-----
Total current liabilities	77,214	70,309
Long-term deferred revenue	1,209	710
	-----	-----
Total liabilities	78,423	71,019
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	-	-
Common stock, \$.001 par value; 180,000,000 shares authorized, 45,888,206 and 42,549,056 shares issued at September 30, 2005 and December 31, 2004, respectively	46	43
Additional paid-in capital	63,816	55,292
Deferred compensation	(485)	(1,064)
Treasury stock, at cost; 3,998,013 shares at September 30, 2005	(56,229)	-
Accumulated other comprehensive income	167	355
Retained earnings	55,897	35,163
	-----	-----
Total stockholders' equity	63,212	89,789
	-----	-----
Total liabilities and stockholders' equity	\$ 141,635	\$ 160,808
	=====	=====

BLACKBAUD, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share amounts)

	Three months ended September 30, 2005		Nine months ended September 30, 2005	
	2005	2004	2005	2004
Revenue				
License fees	\$ 7,291	\$ 6,244	\$ 22,063	\$ 18,614
Services	14,486	12,145	40,070	32,808
Maintenance and subscriptions	20,005	17,101	57,779	49,126
Other revenue	1,362	920	3,443	2,849
Total revenue	43,144	36,410	123,355	103,397
Cost of revenue				
Cost of license fees	1,077	975	3,166	2,468
Cost of services (of which \$55, \$1,211, \$229 and \$(644) in the three months ended September 30, 2005 and 2004 and the nine months ended September 30, 2005 and 2004, respectively, was stock based compensation expense (benefit))	7,236	4,930	20,996	16,482
Cost of maintenance and subscriptions (of which \$6, \$(168), \$28 and \$(106) in the three months ended September 30, 2005 and 2004 and the nine months ended September 30, 2005 and 2004, respectively, was stock based compensation expense (benefit))	3,083	2,544	9,071	8,130
Cost of other revenue	1,166	802	3,101	2,578
Total cost of revenue	12,562	9,251	36,334	29,658
Gross profit	30,582	27,159	87,021	73,739
Sales and marketing	8,595	6,858	25,088	20,151
Research and development	5,309	4,541	15,640	13,245
General and administrative	4,405	3,408	12,246	9,462
Amortization	10	-	10	32
Costs of initial public offering	-	805	-	2,455
Stock based compensation expense (benefit)	1,546	(1,138)	(2,970)	55
Total operating expenses	19,865	14,474	50,014	45,400
Income from operations	10,717	12,685	37,007	28,339
Interest income	190	79	770	133
Interest expense	(12)	(18)	(37)	(268)
Other (expense) income, net	(32)	(4)	(34)	342
Income before provision for income taxes	10,863	12,742	37,706	28,546
Income tax provision	3,143	5,155	10,592	11,619
Net income	\$ 7,720	\$ 7,587	\$ 27,114	\$ 16,927
Earnings per share				
Basic	\$ 0.18	\$ 0.18	\$ 0.64	\$ 0.40
Diluted	\$ 0.17	\$ 0.16	\$ 0.58	\$ 0.36
Common shares and equivalents outstanding				
Basic weighted average shares	41,961,726	42,536,961	42,628,278	42,480,059
Diluted weighted average shares	45,017,221	46,515,156	46,676,356	46,466,986
Dividends per share	\$ 0.05	-	\$ 0.15	\$ 0.00
Summary of stock based compensation expense (benefit)				
Cost of services	\$ 55	\$ (1,211)	\$ 229	\$ (644)
Cost of maintenance and subscription revenue	6	(168)	28	(106)
Total cost of revenue	61	(1,379)	257	(750)
Sales and marketing	38	(670)	182	(194)
Research and development	22	(833)	119	(517)
General and administrative	1,486	365	(3,271)	766
Total operating expense	1,546	(1,138)	(2,970)	55
Total stock based compensation expense (benefit)	\$ 1,607	\$ (2,517)	\$ (2,713)	\$ (695)

BLACKBAUD, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(Unaudited)
(In thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30, 2005	2004	NINE MONTHS ENDED SEPTEMBER 30, 2005	2004
GAAP REVENUE	\$ 43,144	\$ 36,410	\$ 123,355	\$ 103,397
GAAP GROSS MARGIN	\$ 30,582	\$ 27,159	\$ 87,021	\$ 73,739
PRO FORMA ADJUSTMENTS:				
Amortization of deferred compensation expense (benefit) - options	61	(1,379)	257	(750)
PRO FORMA GROSS PROFIT	\$ 30,643	\$ 25,780	\$ 87,278	\$ 72,989
PRO FORMA GROSS MARGIN	71%	71%	71%	71%
GAAP INCOME FROM OPERATIONS	\$ 10,717	\$ 12,685	\$ 37,007	\$ 28,339
PRO FORMA ADJUSTMENTS:				
Amortization of deferred compensation expense (benefit) - options	1,569	(2,517)	(2,713)	(695)
Amortization of deferred compensation expense (benefit) - restricted stock	38	-	-	-
Costs of initial public offering	-	805	-	2,455
Amortization of intangibles from business combinations	10	-	10	32
Total pro forma adjustments	1,617	(1,712)	(2,703)	1,792
PRO FORMA INCOME FROM OPERATIONS	\$ 12,334	\$ 10,973	\$ 34,304	\$ 30,131
PRO FORMA OPERATING MARGIN	29%	30%	28%	29%
GAAP NET INCOME	\$ 7,720	\$ 7,587	\$ 27,114	\$ 16,927
PRO FORMA ADJUSTMENTS:				
Total pro forma adjustments affecting income from operations	1,617	(1,712)	(2,703)	1,792
Tax impact related to pro forma adjustments	(1,725)	854	(3,060)	(213)
PRO FORMA NET INCOME	\$ 7,612	\$ 6,729	\$ 21,351	\$ 18,506
GAAP SHARES USED IN COMPUTING DILUTED INCOME PER SHARE	45,017	46,515	46,676	46,467
PRO FORMA ADJUSTMENTS:				
Incremental shares related to stock options	(433)	(612)	(694)	(655)
SHARES USED IN COMPUTING PRO FORMA EARNINGS PER DILUTED SHARE	44,584	45,903	45,982	45,812
PRO FORMA EARNINGS PER DILUTED SHARE	\$ 0.17	\$ 0.15	\$ 0.46	\$ 0.40