
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 22, 2012

BLACKBAUD, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50600
(Commission
File Number)

11-2617163
(IRS Employer
ID Number)

2000 Daniel Island Drive, Charleston, South Carolina
(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 February 22, 2012, Blackbaud, Inc. issued a press release reporting unaudited financial results for the quarter and fiscal year ended December 31, 2011. 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.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press release dated February 22, 2012. |

SIGNATURES

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

BLACKBAUD, INC.

Date: February 22, 2012

/s/ Anthony W. Boor

Anthony W. Boor,
Senior Vice President and Chief Financial Officer

Blackbaud, Inc. Announces Fourth Quarter and Full Year 2011 Results
Announces First Quarter 2012 Dividend

CHARLESTON, S.C. – February 22, 2012 – Blackbaud, Inc. (Nasdaq: BLKB), the leading provider of software and related services designed specifically for nonprofit organizations, today announced financial results for its fourth quarter and fiscal year ended December 31, 2011.

Marc Chardon, Chief Executive Officer of Blackbaud, stated, “We continued to enjoy solid sales activity during the fourth quarter, contributing to a record year for Blackbaud. The combination of improved customer demand, solid execution and our broad suite of solutions enabled us to re-accelerate revenue growth back to the double digit range during 2011. This was a significant accomplishment in light of the continued challenging economic environment, and it provides us with momentum for 2012.”

Chardon added, “During 2011, we broke records in the number of new Blackbaud CRM customers signed, the number of CRM implementations moving into live production and the performance of our online fundraising solutions. With our pending acquisition of Convio, we are eager to better serve our customers with the most comprehensive CRM and online fundraising solution. We continue to believe that the strength and complementary nature of our combined value proposition will position Blackbaud well to address the large and highly underpenetrated market for delivering innovative solutions to the nonprofit industry.”

Fourth Quarter 2011 GAAP Financial Results

Blackbaud reported total revenue of \$95.0 million for the fourth quarter of 2011, an increase of 11% compared to \$85.8 million for the fourth quarter of 2010. Income from operations and net income, determined in accordance with GAAP, were \$10.6 million and \$6.4 million, respectively, compared with \$10.9 million and \$7.2 million, respectively, for the fourth quarter of 2010. Diluted earnings per share were \$0.14 for the fourth quarter of 2011, compared with \$0.17 in the same period last year.

Fourth Quarter 2011 Non-GAAP and Pro Forma Financial Results

Non-GAAP income from operations, which excludes stock-based compensation expense, amortization of intangibles arising from business combinations, acquisition-related expenses and an impairment of a cost method investment, was \$19.1 million for the fourth quarter of 2011, an increase from \$17.6 million in the same period last year. Non-GAAP net income was \$11.8 million for the fourth quarter of 2011, an increase from \$10.8 million in the same period last year. Non-GAAP diluted earnings per share were \$0.27 for the fourth quarter of 2011, up from \$0.25 in the same period last year.

For the fourth quarter of 2011, Blackbaud recognized a charge against its revenue in recognition of the remaining work required to bring several early adopter CRM implementations to successful conclusion, in addition to other unrelated accounting adjustments that were recognized during the period. These items had a net negative impact of approximately \$4.0 million on revenue and \$3.1 million on non-GAAP income from operations for the fourth quarter of 2011. Pro forma revenue, which excludes these items, was \$99.0 million for the fourth quarter of 2011, an increase of 15% year-over-year and at the mid-point of guidance of \$98.0 million to \$100.0 million. Pro forma income from operations was \$22.2 million for the fourth quarter of 2011 above the high-end of guidance of \$19.6 million to \$21.1 million; and pro forma diluted earnings per share was \$0.31, above the high-end of guidance of \$0.27 to \$0.29.

A reconciliation between GAAP, non-GAAP and 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.”

“Blackbaud’s fourth quarter revenue and profitability were consistent with or better than previously issued guidance on a pro forma basis,” said Tony Boor, Chief Financial Officer of Blackbaud. “Since joining Blackbaud, one of my top areas of focus has been completing a comprehensive

review of the Company's financial processes. As a result of that review, we have identified several areas for improvement and plan to make some targeted investments in our back-office operations to help ensure that the sole focus of our commentary is discussing the strength of Blackbaud's operational performance. I am pleased with the quality of work performed by our team, and believe that we have a solid foundation in place to accommodate our planned growth."

Boor added, "The momentum of our business is evidenced by the fact that we are planning for double digit to low teens revenue growth for 2012. In addition, we believe Blackbaud is well positioned to deliver a twenty percent non-GAAP operating margin, even as we increase investments to drive further improvement in our long-term revenue growth and ensure that we have the infrastructure and processes in place to scale our business efficiently and effectively."

Balance Sheet and Cash Flow

The Company ended the fourth quarter with \$52.5 million in cash, compared to \$52.0 million at the end of the third quarter. The Company generated \$16.9 million in cash flow from operations during the fourth quarter, contributing to \$85.5 million for the twelve months ended December 31, 2011. Cash from operations for the full year 2011 was up 53% from \$56.0 million for the full year 2010.

While not reflected on Blackbaud's 2011 year-end balance sheet, the Company recently closed on a \$325 million credit facility that provides Blackbaud with the financing capacity to complete the acquisition of Convio, following regulatory approval and completion of the cash tender offer. Additional details related to this credit facility can be found in the Company's filings with the SEC.

Full Year 2011 GAAP and Non-GAAP Financial Results

Blackbaud reported total revenue of \$370.9 million for the full year 2011, an increase of 14% compared to \$326.6 million for 2010. Income from operations and net income, determined in accordance with GAAP, were \$50.9 million and \$33.2 million for the full year 2011, respectively, compared with \$46.0 million and \$29.2 million, respectively, for 2010. Diluted earnings per share were \$0.75 for the full year 2011, compared with \$0.67 for 2010.

Non-GAAP income from operations, which excludes stock-based compensation expense, amortization of intangibles arising from business combinations, acquisition-related expenses, an impairment of a cost method investment and a gain on the sale of assets, was \$76.5 million for the full year 2011, an increase from \$67.2 million for 2010. Non-GAAP net income was \$46.9 million for the full year 2011, an increase from \$40.9 million for 2010. Non-GAAP diluted earnings per share were \$1.06 for the full year 2011, an increase from \$0.93 for 2010.

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

Dividend and Share Repurchase Program

Blackbaud announced today that its Board of Directors has approved a first quarter 2012 dividend of \$0.12 per share payable on March 15, 2012, to stockholders of record on March 5, 2012. Additionally, as of December 31, 2011, \$50.0 million remained available under the Company's share repurchase program.

Revision of Prior Period Financial Statements

During the 2011 year-end review process, the Company identified certain prior period errors related principally to revenue recognition, accounting for income taxes and the capitalization of software development costs. These errors impacted reporting periods beginning in the year ended December 31, 2006 and subsequent periods through September 30, 2011.

The net income impact of these errors was a decrease in net income of \$0.6 million, \$0.9 million, \$0.9 million, \$1.6 million and \$2.2 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively, and an increase in net income of \$0.6 million for the nine months ended September 30, 2011.

The revisions for these corrections to the applicable prior periods will be reflected in the Company's Annual Report on Form 10-K for 2011, which is expected to be on file with the SEC by the end of February 2012. Additionally, the Company has included "as reported" vs. "as adjusted" income statement tables for the full year and fourth quarter 2010 as part of this press release. Moreover, the company has posted additional supplemental schedules with "as reported" vs. "as adjusted" results dating back to 2006 on the "Investor Relations" page of the Company's website at www.blackbaud.com/investorrelations.

Conference Call Details

Blackbaud will host a conference call today, February 22, 2012, at 5:00 p.m. (Eastern Time) to discuss the Company's financial results, operations and related matters. To access this call, dial 888-298-3451 (domestic) or 719-457-2606 (international). A replay of this conference call will be available through February 29, 2012, at 877-870-5176 (domestic) or 858-384-5517 (international). The replay passcode is 9469166. A live webcast of this conference call will be available on the "Investor Relations" page of the Company's website at www.blackbaud.com/investorrelations, and a replay will be archived on the website as well.

About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 26,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare, and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Blackbaud has been recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work. Blackbaud is headquartered in Charleston, South Carolina and has employees throughout the US, and in Australia, Canada, Hong Kong, Mexico, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.

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 results to differ materially include the following: general economic risks; uncertainty regarding increased business and renewals from existing customers; continued success in sales growth; risks related to closing the proposed acquisition of Convio; management of integration of acquired companies and other risks associated with acquisitions; risks associated with successful implementation of multiple integrated software products; the ability to attract and retain key personnel; risks related to our dividend policy and share repurchase program, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; risks relating to restrictions imposed by the credit facility; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from Blackbaud's investor relations department. All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc.

Non-GAAP Financial Measures

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income and non-GAAP diluted 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 stock-based compensation expense, costs associated with amortization of intangibles arising from business combinations, one-time write-offs or expenses incurred in connection with acquisitions, impairment of a cost method investment and a gain in connection with the sale of assets.

This release also includes non-GAAP revenue, operating income, net income and diluted earnings per share adjusted for unusual items and accounting adjustments in the fourth quarter of 2011. We use these measures and believe them useful to investors because they provide additional insight in comparing results from period to period.

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

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SOURCE: Blackbaud, Inc.

Blackbaud, Inc.
Consolidated balance sheets
(Unaudited)

| (in thousands, except share amounts) | December 31, 2011 | December 31, 2010 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 52,520 | \$ 28,004 |
| Donor restricted cash | 40,205 | 16,359 |
| Accounts receivable, net of allowance of \$3,913 and \$2,687 at December 31, 2011 and December 31, 2010, respectively | 62,656 | 59,296 |
| Prepaid expenses and other current assets | 31,016 | 32,139 |
| Deferred tax asset, current portion | 1,551 | 5,164 |
| Total current assets | 187,948 | 140,962 |
| Property and equipment, net | 34,397 | 22,963 |
| Deferred tax asset | 29,376 | 42,314 |
| Goodwill | 90,122 | 76,247 |
| Intangible assets, net | 44,660 | 38,515 |
| Other assets | 6,087 | 2,805 |
| Total assets | \$ 392,590 | \$ 323,806 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 13,464 | \$ 9,620 |
| Accrued expenses and other current liabilities | 32,707 | 28,278 |
| Donations payable | 40,205 | 16,359 |
| Deferred revenue | 153,665 | 143,761 |
| Total current liabilities | 240,041 | 198,018 |
| Deferred revenue, noncurrent | 9,772 | 6,900 |
| Other noncurrent liabilities | 2,775 | 2,419 |
| Total liabilities | 252,588 | 207,337 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock; 20,000,000 shares authorized, none outstanding | - | - |
| Common stock, \$0.001 par value; 180,000,000 shares authorized, 53,959,532 and 53,316,280 shares issued at December 31, 2011 and December 31, 2010, respectively | 54 | 53 |
| Additional paid-in capital | 175,401 | 158,372 |
| Treasury stock, at cost; 9,019,824 and 8,842,882 shares at December 31, 2011 and December 31, 2010, respectively | (166,226) | (161,186) |
| Accumulated other comprehensive loss | (1,148) | (812) |
| Retained earnings | 131,921 | 120,042 |
| Total stockholders' equity | 140,002 | 116,469 |
| Total liabilities and stockholders' equity | \$ 392,590 | \$ 323,806 |

Blackbaud, Inc.
Consolidated statements of operations
(Unaudited)

| (in thousands, except share and per share amounts) | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|-----------------|--------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | | | | |
| License fees | \$ 4,875 | \$ 6,510 | \$ 19,475 | \$ 23,719 |
| Subscriptions | 27,651 | 21,859 | 103,544 | 83,912 |
| Services | 25,865 | 23,286 | 108,781 | 87,663 |
| Maintenance | 33,263 | 31,594 | 130,604 | 124,559 |
| Other revenue | 3,391 | 2,519 | 8,464 | 6,712 |
| Total revenue | 95,045 | 85,768 | 370,868 | 326,565 |
| Cost of revenue | | | | |
| Cost of license fees | 735 | 693 | 3,345 | 3,003 |
| Cost of subscriptions | 12,276 | 8,317 | 42,536 | 31,155 |
| Cost of services | 19,896 | 18,030 | 79,086 | 66,755 |
| Cost of maintenance | 6,371 | 6,086 | 25,178 | 24,123 |
| Cost of other revenue | 2,796 | 3,272 | 7,049 | 7,103 |
| Total cost of revenue | 42,074 | 36,398 | 157,194 | 132,139 |
| Gross profit | 52,971 | 49,370 | 213,674 | 194,426 |
| Operating expenses | | | | |
| Sales and marketing | 18,280 | 17,833 | 75,361 | 69,469 |
| Research and development | 12,460 | 11,132 | 47,672 | 45,499 |
| General and administrative | 9,580 | 9,272 | 36,933 | 32,636 |
| Impairment of cost method investment | 1,800 | — | 1,800 | — |
| Amortization | 252 | 211 | 980 | 798 |
| Total operating expenses | 42,372 | 38,448 | 162,746 | 148,402 |
| Income from operations | 10,599 | 10,922 | 50,928 | 46,024 |
| Interest income | 50 | 20 | 183 | 84 |
| Interest expense | (57) | 96 | (200) | (74) |
| Other income (expense), net | 168 | 31 | 346 | (98) |
| Income before provision for income taxes | 10,760 | 11,069 | 51,257 | 45,936 |
| Income tax provision | 4,409 | 3,828 | 18,037 | 16,749 |
| Net income | \$ 6,351 | \$ 7,241 | \$ 33,220 | \$ 29,187 |
| Earnings per share | | | | |
| Basic | \$ 0.15 | \$ 0.17 | \$ 0.76 | \$ 0.68 |
| Diluted | \$ 0.14 | \$ 0.17 | \$ 0.75 | \$ 0.67 |
| Common shares and equivalents outstanding | | | | |
| Basic weighted average shares | 43,738,007 | 43,083,612 | 43,522,563 | 43,145,189 |
| Diluted weighted average shares | 44,337,711 | 43,776,108 | 44,149,054 | 43,876,155 |
| Dividends per share | \$ 0.12 | \$ 0.11 | \$ 0.48 | \$ 0.44 |

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

| (in thousands) | Years ended December 31, | |
|---|--------------------------|------------------|
| | 2011 | 2010 |
| Cash flows from operating activities | | |
| Net income | \$ 33,220 | \$ 29,187 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 16,995 | 16,189 |
| Provision for doubtful accounts and sales returns | 5,646 | 2,773 |
| Stock-based compensation expense | 14,884 | 13,059 |
| Excess tax benefits from stock based compensation | (932) | (2,665) |
| Deferred taxes | 13,533 | 11,313 |
| Impairment of cost method investment | 1,800 | — |
| Gain on sale of assets | (549) | — |
| Other non-cash adjustments | (878) | (22) |
| Changes in operating assets and liabilities, net of acquisition of businesses: | | |
| Accounts receivable | (8,692) | (12,778) |
| Prepaid expenses and other assets | (2,915) | (10,109) |
| Trade accounts payable | 1,714 | 228 |
| Accrued expenses and other liabilities | (1,056) | (4,248) |
| Donor restricted cash | (22,862) | (3,446) |
| Donations payable | 22,862 | 3,446 |
| Deferred revenue | 12,757 | 13,121 |
| Net cash provided by operating activities | 85,527 | 56,048 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (18,215) | (10,760) |
| Purchase of net assets of acquired companies, net of cash acquired | (23,385) | (5,334) |
| Purchase of investment | — | (2,000) |
| Capitalized software development costs | (1,012) | (175) |
| Purchase of intangible assets | — | (130) |
| Proceeds from sale of assets | 874 | — |
| Net cash used in investing activities | (41,738) | (18,399) |
| Cash flows from financing activities | | |
| Dividend payments to stockholders | (21,429) | (19,490) |
| Proceeds from exercise of stock options | 2,041 | 8,065 |
| Excess tax benefits from stock based compensation | 932 | 2,665 |
| Purchase of treasury stock | — | (22,613) |
| Proceeds from issuance of debt | — | 4,000 |
| Payments on debt | — | (5,175) |
| Payments of deferred financing costs | (767) | — |
| Payments on capital lease obligations | (40) | (164) |
| Net cash used in financing activities | (19,263) | (32,712) |
| Effect of exchange rate on cash and cash equivalents | (10) | 298 |
| Net increase in cash and cash equivalents | 24,516 | 5,235 |
| Cash and cash equivalents, beginning of year | 28,004 | 22,769 |
| Cash and cash equivalents, end of year | \$ 52,520 | \$ 28,004 |

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

| (in thousands, except per share amounts) | Three months ended December 31, | | Years ended December 31, | |
|---|---------------------------------|-----------|--------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| GAAP revenue | \$ 95,045 | \$ 85,768 | \$ 370,868 | \$ 326,565 |
| GAAP gross profit | \$ 52,971 | \$ 49,370 | \$ 213,674 | \$ 194,426 |
| Non-GAAP adjustments: | | | | |
| Add: Stock-based compensation expense | 903 | 865 | 3,278 | 2,948 |
| Add: Amortization of intangibles from business combinations | 1,725 | 1,648 | 6,598 | 6,334 |
| Total Non-GAAP adjustments | 2,628 | 2,513 | 9,876 | 9,282 |
| Non-GAAP gross profit | \$ 55,599 | \$ 51,883 | \$ 223,550 | \$ 203,708 |
| GAAP income from operations | \$ 10,599 | \$ 10,922 | \$ 50,928 | \$ 46,024 |
| Non-GAAP adjustments: | | | | |
| Add: Stock-based compensation expense | 3,971 | 3,819 | 14,884 | 13,059 |
| Add: Amortization of intangibles from business combinations | 1,977 | 1,859 | 7,578 | 7,132 |
| Add: Acquisition-related expenses | 786 | 1,000 | 1,840 | 1,000 |
| Add: Impairment of cost method investment | 1,800 | - | 1,800 | - |
| Less: Gain on sale of assets | - | - | (549) | - |
| Total Non-GAAP adjustments | 8,534 | 6,678 | 25,553 | 21,191 |
| Non-GAAP income from operations | \$ 19,133 | \$ 17,600 | \$ 76,481 | \$ 67,215 |
| GAAP net income | \$ 6,351 | \$ 7,241 | \$ 33,220 | \$ 29,187 |
| Non-GAAP adjustments: | | | | |
| Add: Total Non-GAAP adjustments affecting income from operations | 8,534 | 6,678 | 25,553 | 21,191 |
| Less: Tax impact related to Non-GAAP adjustments | (3,117) | (3,093) | (11,919) | (9,431) |
| Non-GAAP net income | \$ 11,768 | \$ 10,826 | \$ 46,854 | \$ 40,947 |
| Shares used in computing Non-GAAP diluted earnings per share | 44,338 | 43,776 | 44,149 | 43,876 |
| Non-GAAP diluted earnings per share | \$ 0.27 | \$ 0.25 | \$ 1.06 | \$ 0.93 |
| Detail of Non-GAAP adjustments: | | | | |
| Stock-based compensation expense: | | | | |
| Cost of revenue | | | | |
| Cost of subscriptions | \$ 164 | \$ 113 | \$ 571 | \$ 392 |
| Cost of services | 571 | 512 | 1,966 | 1,742 |
| Cost of maintenance | 168 | 240 | 741 | 814 |
| Subtotal | 903 | 865 | 3,278 | 2,948 |
| Operating expenses | | | | |
| Sales and marketing | 391 | 389 | 1,325 | 1,366 |
| Research and development | 766 | 714 | 3,039 | 2,844 |
| General and administrative | 1,911 | 1,851 | 7,242 | 5,901 |
| Subtotal | 3,068 | 2,954 | 11,606 | 10,111 |
| Total stock-based compensation expense | \$ 3,971 | \$ 3,819 | \$ 14,884 | \$ 13,059 |
| Amortization of intangibles from business combinations | | | | |
| Cost of revenue | | | | |
| Cost of license fees | \$ 156 | \$ 171 | \$ 635 | \$ 588 |
| Cost of subscriptions | 901 | 778 | 3,341 | 3,058 |
| Cost of services | 400 | 370 | 1,572 | 1,390 |
| Cost of maintenance | 249 | 310 | 975 | 1,223 |
| Cost of other revenue | 19 | 19 | 75 | 75 |
| Subtotal | 1,725 | 1,648 | 6,598 | 6,334 |
| Operating expenses | 252 | 211 | 980 | 798 |
| Total amortization of intangibles from business combinations | \$ 1,977 | \$ 1,859 | \$ 7,578 | \$ 7,132 |

Blackbaud, Inc.
Reconciliation of GAAP to Pro Forma Non-GAAP
(Unaudited)

| (in thousands, except per share amounts) | Three months ended December 31, | |
|--|--|-------------|
| | 2011 | 2010 |
| GAAP revenue | \$ 95,045 | \$ 85,768 |
| Non-GAAP unusual adjustments: | | |
| Add: Early adopter credits | 3,365 | - |
| Add: Change in set-up fees estimate | 292 | - |
| Add: Change in analytic services revenue recognition | 333 | - |
| Pro Forma Non-GAAP revenue | \$ 99,035 | \$ 85,768 |
| GAAP income from operations | \$ 10,599 | \$ 10,922 |
| Non-GAAP adjustments: | | |
| Add: Stock-based compensation expense | 3,971 | 3,819 |
| Add: Amortization of intangibles from business combinations | 1,977 | 1,859 |
| Add: Acquisition-related expenses | 786 | 1,000 |
| Add: Impairment of cost method investment | 1,800 | - |
| Non-GAAP income from operations | \$ 19,133 | \$ 17,600 |
| Non-GAAP unusual adjustments: | | |
| Add: Early adopter credits | 2,715 | - |
| Add: Change in set-up fees estimate | 163 | - |
| Add: Change in analytic services revenue recognition | 233 | - |
| Pro Forma Non-GAAP income from operations | \$ 22,244 | \$ 17,600 |
| GAAP net income | \$ 6,351 | \$ 7,241 |
| Non-GAAP adjustments: | | |
| Add: Total Non-GAAP adjustments affecting income from operations | 8,534 | 6,678 |
| Less: Tax impact related to Non-GAAP adjustments | (3,117) | (3,093) |
| Non-GAAP net income | \$ 11,768 | \$ 10,826 |
| Non-GAAP unusual adjustments: | | |
| Add: Total Non-GAAP as adjusted items affecting income from operations | 3,111 | - |
| Less: Tax impact related to Non-GAAP as adjusted items | (1,214) | - |
| Pro Forma Non-GAAP net income | \$ 13,665 | \$ 10,826 |
| Shares used in computing Non-GAAP diluted earnings per share | 44,338 | 43,776 |
| Pro Forma Non-GAAP diluted earnings per share | \$ 0.31 | \$ 0.25 |

Blackbaud, Inc.
Revised Historical Financial Information
(Unaudited)

During the three months ended December 31, 2011, the Company identified certain prior period errors related principally to revenue recognition, accounting for income taxes and the capitalization of software development costs. These errors impacted reporting periods beginning in the year ended December 31, 2006 and subsequent periods through September 30, 2011. The Company concluded these errors were not material individually or in the aggregate to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. However, the cumulative error would be material in the year ended December 31, 2011, if the entire correction was recorded in the fourth quarter of 2011, and would have impacted comparisons to prior periods. As such, the revisions for these corrections to the applicable prior periods are reflected in this financial information and will be reflected in future filings containing such financial information.

Revised consolidated statements of operations amounts

| (in thousands, except share and per share amounts) | Year ended December 31, 2010 | | | Three months ended December 31, 2010 | | |
|--|------------------------------|-----------------|------------------|--------------------------------------|-------------------|-----------------|
| | As previously reported | Adjustment | Revised | As previously reported | Adjustment | Revised |
| Revenue | | | | | | |
| License fees | \$ 23,719 | \$ - | \$ 23,719 | \$ 6,510 | \$ - | \$ 6,510 |
| Subscriptions | 82,516 | 1,396 | 83,912 | 21,719 | 140 | 21,859 |
| Services | 89,585 | (1,922) | 87,663 | 24,618 | (1,332) | 23,286 |
| Maintenance | 124,562 | (3) | 124,559 | 31,592 | 2 | 31,594 |
| Other revenue | 6,712 | - | 6,712 | 2,519 | - | 2,519 |
| Total revenue | 327,094 | (529) | 326,565 | 86,958 | (1,190) | 85,768 |
| Cost of revenue | | | | | | |
| Cost of license fees | 2,880 | 123 | 3,003 | 662 | 31 | 693 |
| Cost of subscriptions | 31,109 | 46 | 31,155 | 8,317 | - | 8,317 |
| Cost of services | 66,632 | 123 | 66,755 | 17,871 | 159 | 18,030 |
| Cost of maintenance | 24,091 | 32 | 24,123 | 6,086 | - | 6,086 |
| Cost of other revenue | 7,103 | - | 7,103 | 3,272 | - | 3,272 |
| Total cost of revenue | 131,815 | 324 | 132,139 | 36,208 | 190 | 36,398 |
| Gross profit | 195,279 | (853) | 194,426 | 50,750 | (1,380) | 49,370 |
| Operating expenses | | | | | | |
| Sales and marketing | 70,186 | (717) | 69,469 | 17,787 | 46 | 17,833 |
| Research and development | 45,527 | (28) | 45,499 | 11,132 | - | 11,132 |
| General and administrative | 32,471 | 165 | 32,636 | 9,272 | - | 9,272 |
| Amortization | 798 | - | 798 | 211 | - | 211 |
| Total operating expenses | 148,982 | (580) | 148,402 | 38,402 | 46 | 38,448 |
| Income from operations | 46,297 | (273) | 46,024 | 12,348 | (1,426) | 10,922 |
| Interest income | 84 | - | 84 | 20 | - | 20 |
| Interest expense | (74) | - | (74) | 96 | - | 96 |
| Other (expense) income, net | (127) | 29 | (98) | 2 | 29 | 31 |
| Income before provision for income taxes | 46,180 | (244) | 45,936 | 12,466 | (1,397) | 11,069 |
| Income tax provision | 16,375 | 374 | 16,749 | 3,922 | (94) | 3,828 |
| Net income | \$ 29,805 | \$ (618) | \$ 29,187 | \$ 8,544 | \$ (1,303) | \$ 7,241 |
| Earnings per share | | | | | | |
| Basic | \$ 0.69 | (\$ 0.01) | \$ 0.68 | \$ 0.20 | (\$ 0.03) | \$ 0.17 |
| Diluted | \$ 0.68 | (\$ 0.01) | \$ 0.67 | \$ 0.19 | (\$ 0.03) | \$ 0.17 |
| Common shares and equivalents outstanding | | | | | | |
| Basic weighted average shares | 43,145,189 | | 43,145,189 | 43,083,612 | | 43,083,612 |
| Diluted weighted average shares | 43,876,155 | | 43,876,155 | 43,776,108 | | 43,776,108 |
| Dividends per share | \$ 0.44 | | \$ 0.44 | \$ 0.11 | | \$ 0.11 |

Blackbaud, Inc.
Revised Historical Financial Information (continued)
(Unaudited)

The following tables only display lines in which changes have occurred.

Revised consolidated statement of cash flows amounts

| (in thousands) | Year ended December 31, 2010 | | |
|--|------------------------------|--------------|------------------|
| | As previously reported | Adjustment | Revised |
| Cash flows from operating activities | | | |
| Net income | \$ 29,805 | \$ (618) | \$ 29,187 |
| Depreciation and amortization | 16,068 | 121 | 16,189 |
| Excess tax benefits from stock based compensation | (2,629) | (36) | (2,665) |
| Deferred taxes | 11,201 | 112 | 11,313 |
| Accounts receivable | (13,051) | 273 | (12,778) |
| Prepaid expenses and other assets | (9,599) | (510) | (10,109) |
| Trade accounts payable | 208 | 20 | 228 |
| Accrued expenses and other current liabilities | (4,775) | 527 | (4,248) |
| Deferred revenue | 12,870 | 251 | 13,121 |
| Net cash provided by operating activities | 55,908 | 140 | 56,048 |
| Cash flows from investing activities | | | |
| Capitalized software development costs | - | (175) | (175) |
| Net cash used in investing activities | (18,224) | (175) | (18,399) |
| Cash flows from financing activities | | | |
| Excess tax benefits from stock based compensation | 2,629 | 36 | 2,665 |
| Net cash used in financing activities | (32,748) | 36 | (32,712) |
| Effect of exchange rate on cash and cash equivalents | 269 | 29 | 298 |
| Net increase in cash and cash equivalents | 5,205 | 30 | 5,235 |
| Cash and cash equivalents, beginning of year | 22,769 | - | 22,769 |
| Cash and cash equivalents, end of year | \$ 27,974 | \$ 30 | \$ 28,004 |

Revised consolidated balance sheet amounts

| (in thousands, except share amounts) | At December 31, 2010 | | |
|---|---------------------------|-------------------|-------------------|
| | As previously reported | Adjustment | Revised |
| Assets | | | |
| Cash and cash equivalents | \$ 27,974 | \$ 30 | \$ 28,004 |
| Accounts receivable | 59,804 | (508) | 59,296 |
| Prepaid expenses and other current assets | 33,847 | (1,708) | 32,139 |
| Deferred tax asset | 44,639 | (2,325) | 42,314 |
| Other assets | 2,579 | 226 | 2,805 |
| Total assets | \$ 328,091 | \$ (4,285) | \$ 323,806 |
| Liabilities and stockholders' equity | | | |
| Trade accounts payable | \$ 9,883 | \$ (263) | \$ 9,620 |
| Accrued expenses and other current liabilities | 28,322 | (44) | 28,278 |
| Deferred revenue | 141,149 | 2,612 | 143,761 |
| Additional paid-in capital | 158,419 | (47) | 158,372 |
| Accumulated other comprehensive loss | (512) | (300) | (812) |
| Retained earnings | 126,285 | (6,243) | 120,042 |
| Total liabilities and stockholders' equity | \$ 328,091 | \$ (4,285) | \$ 323,806 |