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): **April 30, 2018**

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-50600	**11-2617163**
(Commission File Number)	(IRS Employer ID Number)
2000 Daniel Island Drive, Charleston, South Carolina	**29492**
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On April 30, 2018, Blackbaud, Inc. (the "Company") issued a press release reporting unaudited financial results for the quarter ended March 31, 2018. A copy of this press release is attached hereto as Exhibit 99.1.

Item 7.01. Regulation FD Disclosure.

On January 1, 2018, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), using the full retrospective method of transition, which requires that the standard be applied to all periods presented. Adoption of ASU 2016-09 did not materially impact our total revenues for 2017 and 2016 and it had no impact on net cash provided by or used in operating, investing or financing activities. The primary impacts of adopting ASU 2014-09 relate to the deferral of incremental commission and other costs of obtaining contracts with customers and the increase to the amortization period for those costs. Previously, the Company deferred only direct and incremental commission costs to obtain a contract and amortized those costs over the contract term, generally three years, as the revenue was recognized. Under the new standard, the Company defers all incremental commission and related fringe benefit costs to obtain a contract and amortizes these costs in a manner that aligns with the expected period of benefit, which was determined to be five years.

On April 30, 2018, the Company made an investor presentation accessible via the Investor Relations section of its website that includes the following unaudited historical financial information, which has been adjusted to reflect the adoption of ASU 2014-09:

- historical consolidated balance sheets as of the fiscal years ended December 31, 2017 and 2016 and interim consolidated balance sheets for each of the quarters within fiscal 2018 and 2017;
- historical consolidated statements of comprehensive income for the fiscal years ended December 31, 2017 and 2016 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2018 and 2017;
- historical consolidated statements of cash flows for the fiscal years ended December 31, 2017 and 2016 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2018 and 2017; and
- historical non-GAAP financial measures for the fiscal years ended December 31, 2017 and 2016 and for each of the quarters within fiscal 2018 and 2017 as well as reconciliations of the non-GAAP measures to their most directly comparable GAAP measures and related non-GAAP adjustments.

A copy of the adjusted unaudited historical financial information and non-GAAP financial measures is attached hereto as Exhibit 99.2.

The information in this Form 8-K (including Exhibits 99.1 and 99.2) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release dated April 30, 2018 reporting unaudited financial results for the quarter ended March 31, 2018.
99.2	Blackbaud, Inc. adjusted unaudited historical financial information and non-GAAP financial measures.

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:	April 30, 2018	/s/ Anthony W. Boor
		Anthony W. Boor
		Executive Vice President and Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 99.1

PRESS RELEASE

Blackbaud Announces 2018 First Quarter Results

First Quarter Recurring Revenue Grows 13% representing 89% of total revenue;
Reaffirms 2018 Full Year Financial Guidance

Charleston, S.C. (April 30, 2018) - Blackbaud (NASDAQ: BLKB), the world's leading cloud software company powering social good, today announced financial results for its first quarter ended March 31, 2018.

"We've continued moving the business towards a subscriptions-based revenue model with our mix of recurring revenue now standing at 89% of total, a new all-time high for us," said Mike Gianoni, Blackbaud's president and CEO. "The market remains strong and we continue to integrate our solution portfolio at a rapid pace and deliver innovative new software capabilities to our growing base of over 40,000 customers and to the millions of individual change makers using our platforms."

First Quarter 2018 Results Compared to First Quarter 2017 Results:

- Total GAAP revenue was $204.2 million, up 10.3%, with $180.8 million in GAAP recurring revenue, representing 88.6% of total GAAP revenue. GAAP recurring revenue was up 13.0%.
- Total non-GAAP revenue was $204.5 million, up 10.5%, with $181.1 million in non-GAAP recurring revenue, representing 88.6% of total non-GAAP revenue. Non-GAAP recurring revenue was up 13.2%.
- Non-GAAP organic revenue increased 5.3% and non-GAAP organic recurring revenue increased 7.2%.
- GAAP income from operations increased 32.5% to $17.6 million, with GAAP operating margin increasing 140 basis points to 8.6%.
- Non-GAAP income from operations increased 18.0% to $43.2 million, with non-GAAP operating margin increasing 130 basis points to 21.1%.
- GAAP net income increased 35.1% to $17.8 million, with GAAP diluted earnings per share of $0.37, up $0.09.
- Non-GAAP net income increased 35.8% to $31.9 million, with non-GAAP diluted earnings per share of $0.66, up $0.16.
- Non-GAAP free cash flow was $(1.1) million, a decrease of $4.6 million.

"Execution against our strategic plan allowed us to post solid results for the quarter," said Tony Boor, Blackbaud's executive vice president and CFO. "We've adopted ASC 606 using the full retrospective method and we're now reporting maintenance and subscriptions combined as recurring revenue given the tremendous progress we've made in shifting our revenue model towards cloud-based subscriptions."

An explanation of all non-GAAP financial measures referenced in this press release is included below under the heading "Non-GAAP Financial Measures." A reconciliation of the company's 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.

PRESS RELEASE

Recent Company Highlights:

- David Benjamin joined Blackbaud as Group President leading its International Markets Group (IMG), which includes the company's United Kingdom, Australia and New Zealand operations.
- Kevin Gregoire joined Blackbaud as Group President leading its Enterprise Market Group (EMG) for North America while Brian Boruff transitioned to a new role as Executive Vice President of Partner Ecosystem and Global Alliances.
- The company introduced Blackbaud Grantmaking™, its newest and most comprehensive grants management solution, which evolves the experience previously available with its original grantmaking solution, GIFTS Online™.
- Blackbaud reported strong momentum in adoption rates among higher education institutions seeking an integrated, smart cloud solution set.
- The Blackbaud Institute for Philanthropic Impact™ released one of its most highly anticipated annual reports, the 2017 Charitable Giving Report.
- Blackbaud has been named to the Forbes America's Best Employers for Diversity 2018 list.
- Blackbaud granted a one-time stock award to eligible employees, equivalent to approximately $2,000 (USD).

Visit www.blackbaud.com/press-room for more information about Blackbaud's recent highlights.

Dividend

Blackbaud announced today that its Board of Directors has declared a second quarter 2018 dividend of $0.12 per share payable on June 15, 2018 to stockholders of record on May 25, 2018.

Financial Outlook

Blackbaud today reaffirmed its 2018 full year financial guidance:

- Non-GAAP revenue of $870 million to $890 million
- Non-GAAP operating margin of 20.6% to 21.0%
- Non-GAAP diluted earnings per share of $2.75 to $2.88
- Non-GAAP free cash flow of $165 million to $175 million

Blackbaud has not reconciled forward-looking full-year non-GAAP financial measures contained in this news release to their most directly comparable GAAP measures, as permitted by Item 10(e)(1)(i)(B) of Regulation S-K. Such reconciliations would require unreasonable efforts at this time to estimate and quantify with a reasonable degree of certainty various necessary GAAP components, including for example those related to compensation, acquisition transactions and integration, tax items or others that may arise during the year. These components and other factors could materially impact the amount of the future directly comparable GAAP measures, which may differ significantly from their non-GAAP counterparts.

Reclassifications

Our revenue from "subscriptions" and "maintenance" and a portion of our "services and other" revenue have been combined within "recurring" revenue beginning in 2018. In order to provide comparability between periods presented, those amounts of revenue have been combined within "recurring" revenue in the previously reported consolidated statements of comprehensive income to conform to presentation of the current period. Similarly, "cost of subscriptions" and "cost of maintenance" and a portion of "cost of services and other" have been combined within "cost of recurring" in the previously reported consolidated statements of comprehensive income to conform to presentation of the current period. "Services and other" revenue has been renamed as "one-time services and other" and consists of revenue that did not meet the description of "recurring" revenue in the consolidated statements of comprehensive income.

PRESS RELEASE

Adoption of New Revenue Accounting Standard

On January 1, 2018, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), using the full retrospective method of transition, which requires that the standard be applied to all periods presented. The impacts of adoption are reflected in the financial information herein. We have provided more detailed information regarding the impact of our adoption of ASU 2014-09 in a Form 8-K filed with the SEC today. We have also made that information accessible via the Investor Relations section of our website.

Conference Call Details

What: Blackbaud's 2018 First Quarter Conference Call
When: May 1, 2018
Time: 8:00 a.m. (Eastern Time)
Live Call: 800-289-0462 (US/Canada); passcode 788816.
Webcast: Blackbaud's Investor Relations Webpage

About Blackbaud

Blackbaud (NASDAQ: BLKB) is the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, foundations, corporations, education institutions, healthcare institutions and individual change agents—Blackbaud connects and empowers organizations to increase their impact through software, services, expertise, and data intelligence. The Blackbaud portfolio is tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, corporate social responsibility, school management, ticketing, grantmaking, financial management, payment processing, and analytics. Serving the industry for more than three decades, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada and the United Kingdom. For more information, visit www.blackbaud.com.

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Forward-Looking Statements

Except for historical information, all of the statements, expectations, and assumptions contained in this news release are forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding: the predictability of our financial results, expectations that our revenue will continue to grow, and expectations that we will achieve our projected 2018 full-year financial guidance. These statements 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: management of integration of acquired companies; uncertainty regarding increased business and renewals from existing customers; a shifting revenue mix that may impact gross margin; continued success in sales growth; risks related to our dividend policy and stock repurchase program, including the possibility that we might discontinue payment of dividends; 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. Blackbaud assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

Trademarks
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 revenue, non-GAAP recurring revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share. Blackbaud has acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, Blackbaud recorded write-downs of deferred revenue to fair value, which resulted in lower recognized revenue. Both on a quarterly and year-to-date basis, the revenue for the acquired businesses is deferred and typically recognized over a one-year period, so Blackbaud's GAAP revenues for the one-year period after the acquisitions will not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP measures described above reverse the acquisition-related deferred revenue write-downs so that the full amount of revenue booked by the acquired companies is included, which Blackbaud believes provides a more accurate representation of a revenue run-rate in a given period. In addition to reversing write-downs of acquisition-related deferred revenue, non-GAAP financial measures discussed above exclude the impact of certain items that Blackbaud believes are not directly related to its performance in any particular period, but are for its long-term benefit over multiple periods.

In addition, Blackbaud uses non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, in analyzing its operating performance. Blackbaud believes that these non-GAAP measures are useful to investors, as a supplement to GAAP measures, for evaluating the periodic growth of its business on a consistent basis. Each of these measures excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, each of these measures reflects presentation of full-year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, each of these 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. Blackbaud believes this presentation provides a more comparable representation of its current business' organic revenue growth and revenue run-rate.

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

As previously disclosed, beginning in 2018, Blackbaud applies a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share. The non-GAAP tax rate will be reviewed annually to determine whether it remains appropriate in consideration of Blackbaud's financial results including its periodic effective tax rate calculated in accordance with GAAP, its operating environment and related tax legislation in effect and other factors deemed necessary. All first quarter 2017 measures of non-GAAP net income and non-GAAP diluted earnings per share included in this news release are calculated under Blackbaud's historical non-GAAP effective tax rate of 32.0%.

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 these non-GAAP financial measures reflect Blackbaud's ongoing business in a manner that allows for meaningful period-to-period comparison and analysis of trends in its business. In addition, Blackbaud believes that the use of these non-GAAP financial measures provides additional information for investors to use in evaluating ongoing operating results and trends and in comparing its financial results from period-to-period with other companies in Blackbaud's industry, many of which present similar non-GAAP financial measures to investors. However, these non-GAAP financial measures may not be completely comparable to similarly titled measures of other companies due to differences in the exact method of calculation between companies. 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.

Blackbaud, Inc.
Consolidated balance sheets
(Unaudited)

(dollars in thousands)	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 25,013	$ 29,830
Restricted cash due to customers	170,792	610,344
Accounts receivable, net of allowance of $5,480 and $5,141 at March 31, 2018 and December 31, 2017, respectively	88,911	95,679
Customer funds receivable	6,373	1,536
Prepaid expenses and other current assets	68,474	61,978
Total current assets	359,563	799,367
Property and equipment, net	44,647	42,243
Software development costs, net	57,062	54,098
Goodwill	537,433	530,249
Intangible assets, net	306,776	314,651
Other assets	62,453	57,238
Total assets	$ 1,367,934	$ 1,797,846
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 23,619	$ 24,693
Accrued expenses and other current liabilities	40,113	54,399
Due to customers	177,165	611,880
Debt, current portion	8,576	8,576
Deferred revenue, current portion	254,877	275,063
Total current liabilities	504,350	974,611
Debt, net of current portion	458,592	429,648
Deferred tax liability	48,080	48,023
Deferred revenue, net of current portion	5,075	3,643
Other liabilities	7,516	5,632
Total liabilities	1,023,613	1,461,557
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, 59,233,843 and 58,551,761 shares issued at March 31, 2018 and December 31, 2017, respectively	59	59
Additional paid-in capital	362,113	351,042
Treasury stock, at cost; 10,710,248 and 10,475,794 shares at March 31, 2018 and December 31, 2017, respectively	(261,710)	(239,199)
Accumulated other comprehensive income (loss)	7,041	(642)
Retained earnings	236,818	225,029
Total stockholders' equity	344,321	336,289
Total liabilities and stockholders' equity	$ 1,367,934	$ 1,797,846

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

(dollars in thousands, except per share amounts)	Three months ended March 31, 2018	2017
Revenue		
Recurring	$ 180,846	$ 160,047
One-time services and other	23,338	25,025
Total revenue	204,184	185,072
Cost of revenue		
Cost of recurring	69,079	63,875
Cost of one-time services and other	18,958	21,607
Total cost of revenue	88,037	85,482
Gross profit	116,147	99,590
Operating expenses		
Sales, marketing and customer success	45,477	40,997
Research and development	25,958	22,706
General and administrative	25,051	21,923
Amortization	1,269	691
Restructuring	811	—
Total operating expenses	98,566	86,317
Income from operations	17,581	13,273
Interest expense	(3,517)	(2,377)
Other income, net	160	286
Income before provision for income taxes	14,224	11,182
Income tax benefit	(3,527)	(1,960)
Net income	$ 17,751	$ 13,142
Earnings per share		
Basic	$ 0.38	$ 0.28
Diluted	$ 0.37	$ 0.28
Common shares and equivalents outstanding		
Basic weighted average shares	47,019,603	46,501,761
Diluted weighted average shares	48,009,395	47,482,840
Dividends per share	$ 0.12	$ 0.12
Other comprehensive income		
Foreign currency translation adjustment	6,437	152
Unrealized gain on derivative instruments, net of tax	1,079	182
Total other comprehensive income	7,516	334
Comprehensive income	$ 25,267	$ 13,476

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

(dollars in thousands)	Three months ended March 31, 2018	2017
Cash flows from operating activities		
Net income	$ 17,751	$ 13,142
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,820	18,091
Provision for doubtful accounts and sales returns	1,774	2,738
Stock-based compensation expense	11,092	9,294
Deferred taxes	902	592
Amortization of deferred financing costs and discount	188	239
Other non-cash adjustments	(197)	(243)
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:		
Accounts receivable	5,088	(4,027)
Prepaid expenses and other assets	(10,052)	(3,195)
Trade accounts payable	(1,655)	(1,267)
Accrued expenses and other liabilities	(14,092)	(15,536)
Deferred revenue	(18,866)	(7,064)
Net cash provided by operating activities	11,753	12,764
Cash flows from investing activities		
Purchase of property and equipment	(5,771)	(2,719)
Capitalized software development costs	(7,103)	(6,583)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(5,036)	59
Net cash used in investing activities	(17,910)	(9,243)
Cash flows from financing activities		
Proceeds from issuance of debt	81,700	67,600
Payments on debt	(52,875)	(53,794)
Employee taxes paid for withheld shares upon equity award settlement	(22,511)	(14,828)
Proceeds from exercise of stock options	9	11
Change in due to customers	(434,640)	(195,999)
Change in customer funds receivable	(4,783)	—
Dividend payments to stockholders	(5,825)	(5,765)
Net cash used in financing activities	(438,925)	(202,775)
Effect of exchange rate on cash, cash equivalents, and restricted cash	713	26
Net decrease in cash, cash equivalents, and restricted cash	(444,369)	(199,228)
Cash, cash equivalents, and restricted cash, beginning of period	640,174	370,673
Cash, cash equivalents, and restricted cash, end of period	$ 195,805	$ 171,445

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 consolidated statements of cash flows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 25,013	$ 29,830
Restricted cash due to customers	170,792	610,344
Total cash, cash equivalents and restricted cash in the statement of cash flows	195,805	640,174

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

(dollars in thousands, except per share amounts)	Three months ended March 31, 2018	2017
GAAP Revenue	$ 204,184	$ 185,072
Non-GAAP adjustments:		
Add: Acquisition-related deferred revenue write-down	348	—
Non-GAAP revenue	$ 204,532	$ 185,072
GAAP gross profit	$ 116,147	$ 99,590
GAAP gross margin	56.9%	53.8%
Non-GAAP adjustments:		
Add: Acquisition-related deferred revenue write-down	348	—
Add: Stock-based compensation expense	1,095	791
Add: Amortization of intangibles from business combinations	10,386	9,855
Add: Employee severance	575	952
Add: Acquisition-related integration costs	—	86
Subtotal	12,404	11,684
Non-GAAP gross profit	$ 128,551	$ 111,274
Non-GAAP gross margin	62.9%	60.1%
GAAP income from operations	$ 17,581	$ 13,273
GAAP operating margin	8.6%	7.2%
Non-GAAP adjustments:		
Add: Acquisition-related deferred revenue write-down	348	—
Add: Stock-based compensation expense	11,092	9,294
Add: Amortization of intangibles from business combinations	11,655	10,546
Add: Employee severance	931	2,746
Add: Acquisition-related integration costs	433	230
Add: Acquisition-related expenses	394	570
Add: Restructuring costs	811	—
Subtotal	25,664	23,386
Non-GAAP income from operations	$ 43,245	$ 36,659
Non-GAAP operating margin	21.1%	19.8%
GAAP income before provision for income taxes	$ 14,224	$ 11,182
GAAP net income	$ 17,751	$ 13,142
Shares used in computing GAAP diluted earnings per share	48,009,395	47,482,840
GAAP diluted earnings per share	$ 0.37	$ 0.28
Non-GAAP adjustments:		
Add: GAAP income tax benefit	(3,527)	(1,960)
Add: Total non-GAAP adjustments affecting income from operations	25,664	23,386
Non-GAAP income before provision for income taxes	39,888	34,568
Assumed non-GAAP income tax provision(1)	$ 7,978	$ 11,062
Non-GAAP net income	$ 31,910	$ 23,506
Shares used in computing non-GAAP diluted earnings per share	48,009,395	47,482,840
Non-GAAP diluted earnings per share	$ 0.66	$ 0.50

(1) Beginning in 2018, Blackbaud applies a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share. The 2017 measures of non-GAAP net income and non-GAAP diluted earnings per share are calculated under Blackbaud's historical non-GAAP effective tax rate of 32.0%.

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

(dollars in thousands)	Three months ended March 31, 2018	2017
GAAP revenue	$ 204,184	$ 185,072
GAAP revenue growth	**10.3%**	
(Less) Add: Non-GAAP acquisition-related revenue (1)	348	9,202
Total Non-GAAP adjustments	348	9,202
Non-GAAP revenue (2)	$ 204,532	$ 194,274
Non-GAAP organic revenue growth	**5.3%**	
Non-GAAP revenue (2)	$ 204,532	$ 194,274
Foreign currency impact on non-GAAP revenue (3)	(2,093)	—
Non-GAAP revenue on constant currency basis (3)	$ 202,439	$ 194,274
Non-GAAP organic revenue growth on constant currency basis	**4.2%**	
GAAP recurring revenue	$ 180,846	$ 160,047
GAAP recurring revenue growth	**13.0%**	
(Less) Add: Non-GAAP acquisition-related revenue (1)	303	9,009
Total Non-GAAP adjustments	303	9,009
Non-GAAP recurring revenue	$ 181,149	$ 169,056
Non-GAAP organic recurring revenue growth	**7.2%**	

(1) Non-GAAP acquisition-related revenue excludes incremental acquisition-related revenue calculated in accordance with GAAP that is attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, non-GAAP acquisition-related revenue reflects presentation of full-year incremental non-GAAP revenue derived from such companies, as if they were combined throughout the prior period, and it includes the non-GAAP revenue from the acquisition-related deferred revenue write-down attributable to those companies.
(2) Non-GAAP revenue for the prior year periods presented herein may not agree to non-GAAP revenue presented in the respective prior period quarterly financial information solely due to the manner in which non-GAAP organic revenue growth is calculated.
(3) To determine non-GAAP organic 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 Canadian Dollar, EURO, British Pound and Australian Dollar.

(dollars in thousands)	Three months ended March 31, 2018	2017
GAAP net cash provided by operating activities	$ 11,753	$ 12,764
Less: purchase of property and equipment	(5,771)	(2,719)
Less: capitalized software development costs	(7,103)	(6,583)
Non-GAAP free cash flow	$ (1,121)	$ 3,462

Exhibit 99.2

Blackbaud, Inc. Adjusted Unaudited Historical Financial Information and Non-GAAP Financial Measures

Reclassifications to the unaudited historical financial information

In order to provide comparability between periods presented, certain previously reported historical financial information has been reclassified to conform to the presentation of the most recent reporting period. A summary of those prior period reclassifications is as follows:

- "Our revenue from "subscriptions" and "maintenance" and a portion of our "services and other" have been combined within "recurring" revenue in the consolidated statements of comprehensive income. Similarly, "cost of subscriptions" and "cost of maintenance" and a portion of "cost of services and other" have been combined within "cost of recurring" in the consolidated statements of comprehensive income.
- "Services and other" revenue has been renamed as "one-time services and other" and consists of revenue that did not meet the description of "recurring" revenue in the consolidated statements of comprehensive income.

Historical Consolidated Balance Sheets (Unaudited)

	Restated for ASU 2014-09		Previously Reported		Change	
(in thousands)	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017
Assets						
Current assets:						
Cash and cash equivalents	$ 16,902	$ 29,830	$ 16,902	$ 29,830	$ —	$ —
Restricted cash due to customers	353,771	610,344	353,771	610,344	—	—
Accounts receivable, net of allowance	88,261	95,679	88,932	96,293	(671)	(614)
Customer funds receivable	—	1,536	—	1,536	—	—
Prepaid expenses and other current assets	54,211	61,978	48,314	56,099	5,897	5,879
Deferred tax asset, current portion	—	—	—	—	—	—
Total current assets	513,145	799,367	507,919	794,102	5,226	5,265
Property and equipment, net	50,269	42,243	50,269	42,243	—	—
Software development costs, net	37,582	54,098	37,582	54,098	—	—
Goodwill	438,240	530,249	438,240	530,249	—	—
Intangible assets, net	253,676	314,651	253,676	314,651	—	—
Other assets	52,097	57,238	22,524	24,083	29,573	33,155
Total assets	$ 1,345,009	$ 1,797,846	$ 1,310,210	$ 1,759,426	$ 34,799	$ 38,420
Liabilities and stockholders' equity						
Current liabilities:						
Trade accounts payable	$ 23,274	$ 24,693	$ 23,274	$ 24,693	$ —	$ —
Accrued expenses and other current liabilities	54,196	54,399	54,196	54,399	—	—
Due to customers	353,771	611,880	353,771	611,880	—	—
Debt, current portion	4,375	8,576	4,375	8,576	—	—
Deferred revenue, current portion	243,849	275,063	244,500	276,456	(651)	(1,393)
Total current liabilities	679,465	974,611	680,116	976,004	(651)	(1,393)
Debt, net of current portion	338,018	429,648	338,018	429,648	—	—
Deferred tax liability	43,475	48,023	29,558	37,597	13,917	10,426
Deferred revenue, net of current portion	6,440	3,643	6,440	3,643	—	—
Other liabilities	8,533	5,632	8,533	5,632	—	—
Total liabilities	1,075,931	1,461,557	1,062,665	1,452,524	13,266	9,033
Commitments and contingencies						
Stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock, $0.001 par value	58	59	58	59	—	—
Additional paid-in capital	310,452	351,042	310,452	351,042	—	—
Treasury stock, at cost	(215,237)	(239,199)	(215,237)	(239,199)	—	—
Accumulated other comprehensive loss	(604)	(642)	(457)	(649)	(147)	7
Retained earnings	174,409	225,029	152,729	195,649	21,680	29,380
Total stockholders' equity	269,078	336,289	247,545	306,902	21,533	29,387
Total liabilities and stockholders' equity	$ 1,345,009	$ 1,797,846	$ 1,310,210	$ 1,759,426	$ 34,799	$ 38,420

Historical Consolidated Statements of Comprehensive Income (Unaudited)

	Restated for ASU 2014-09		Previously Reported[2]		Change	
(in thousands, except share and per share amounts)	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
Revenue						
Recurring	$ 609,063	$ 684,583	$ 575,933	$ 651,031	$ 33,130	$ 33,552
One-time services and other	122,579	103,904	154,882	137,275	(32,303)	(33,371)
Total revenue	731,642	788,487	730,815	788,306	827	181
Cost of revenue						
Cost of recurring	246,669	277,639	235,977	265,713	10,692	11,926
Cost of one-time services and other	92,551	84,265	103,243	96,191	(10,692)	(11,926)
Total cost of revenue	339,220	361,904	339,220	361,904	—	—
Gross profit	392,422	426,583	391,595	426,402	827	181
Operating expenses						
Sales, marketing and customer success	150,157	169,559	155,754	173,525	(5,597)	(3,966)
Research and development	89,870	89,911	89,870	89,911	—	—
General and administrative	81,331	94,870	81,331	94,870	—	—
Amortization	2,840	3,271	2,840	3,271	—	—
Restructuring	—	794	—	794	—	—
Total operating expenses	324,198	358,405	329,795	362,371	(5,597)	(3,966)
Income from operations	68,224	68,178	61,800	64,031	6,424	4,147
Interest expense	(10,583)	(12,097)	(10,583)	(12,097)	—	—
Other income (expense), net	(291)	2,260	(291)	2,260	—	—
Income before provision (benefit) for income taxes	57,350	58,341	50,926	54,194	6,424	4,147
Income tax provision (benefit)	11,946	(15,292)	9,411	(11,739)	2,535	(3,553)
Net income	$ 45,404	$ 73,633	$ 41,515	$ 65,933	$ 3,889	$ 7,700
Earnings per share						
Basic	$ 0.98	$ 1.58	$ 0.90	$ 1.41	$ 0.08	$ 0.17
Diluted	$ 0.96	$ 1.54	$ 0.88	$ 1.38	$ 0.08	$ 0.16
Common shares and equivalents outstanding						
Basic weighted average shares	46,132,389	46,669,440	46,132,389	46,669,440	—	—
Diluted weighted average shares	47,316,538	47,775,702	47,316,538	47,775,702	—	—
Dividends per share	$ 0.48	$ 0.48	$ 0.48	$ 0.48	$ —	$ —
Other comprehensive income (loss)					—	—
Foreign currency translation adjustment	204	(788)	324	(943)	(120)	155
Unrealized gain (loss) on derivative instruments, net of tax	45	751	44	751	1	—
Total other comprehensive income (loss)	249	(37)	368	(192)	(119)	155
Comprehensive income	$ 45,653	$ 73,596	$ 41,883	$ 65,741	$ 3,770	$ 7,855

Historical Reconciliations of GAAP to Non-GAAP Financial Measures (Unaudited)

	Restated for ASU 2014-09		Previously Reported		Change	
(in thousands, except share and per share amounts)	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
GAAP Revenue	$ 731,642	$ 788,487	$ 730,815	$ 788,306	$ 827	$ 181
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	3,639	2,496	3,639	2,496	—	—
Non-GAAP revenue	$ 735,281	$ 790,983	$ 734,454	$ 790,802	$ 827	$ 181
GAAP gross profit	$ 392,422	$ 426,583	$ 391,595	$ 426,402	$ 827	$ 181
GAAP gross margin	53.6%	54.1%	53.6%	54.1%	—%	—%
Non-GAAP adjustments:					—	—
Add: Acquisition-related deferred revenue write-down	3,639	2,496	3,639	2,496	—	—
Add: Stock-based compensation expense	3,297	3,470	3,297	3,470	—	—
Add: Amortization of intangibles from business combinations	39,558	40,099	39,558	40,099	—	—
Add: Employee severance	382	994	382	994	—	—
Add: Acquisition-related integration costs	—	86	—	86	—	—
Subtotal	46,876	47,145	46,876	47,145	—	—
Non-GAAP gross profit	$ 439,298	$ 473,728	$ 438,471	$ 473,547	$ 827	$ 181
Non-GAAP gross margin	59.7%	59.9%	59.7%	59.9%	—%	—%
GAAP income from operations	$ 68,224	$ 68,178	$ 61,800	$ 64,031	$ 6,424	$ 4,147
GAAP operating margin	9.3%	8.6%	8.5%	8.1%	0.8%	0.5%
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	3,639	2,496	3,639	2,496	—	—
Add: Stock-based compensation expense	32,638	40,631	32,638	40,631	—	—
Add: Amortization of intangibles from business combinations	42,398	43,370	42,398	43,370	—	—
Add: Employee severance	1,995	4,345	1,995	4,345	—	—
Add: Acquisition-related integration costs	1,419	966	1,419	966	—	—
Add: Acquisition-related expenses	301	5,914	301	5,914	—	—
Add: Restructuring costs	—	794	—	794	—	—
Subtotal	82,390	98,516	82,390	98,516	—	—
Non-GAAP income from operations	$ 150,614	$ 166,694	$ 144,190	$ 162,547	$ 6,424	$ 4,147
Non-GAAP operating margin	20.5%	21.1%	19.6%	20.6%	0.9%	0.5%
GAAP income before provision for income taxes	$ 57,350	$ 58,341	$ 50,926	$ 54,194	$ 6,424	$ 4,147
GAAP net income	$ 45,405	$ 73,633	$ 41,515	$ 65,933	$ 3,890	$ 7,700
Shares used in computing GAAP diluted earnings per share	47,316,538	47,775,702	47,316,538	47,775,702	—	—
GAAP diluted earnings per share	$ 0.96	$ 1.54	$ 0.88	$ 1.38	$ 0.08	$ 0.16
Non-GAAP adjustments:						
Add: GAAP income tax provision (benefit)	11,946	(15,292)	9,411	(11,739)	2,535	(3,553)
Add: Total Non-GAAP adjustments affecting income from operations	82,390	98,516	82,390	98,516	—	—
(Less) add: (Gain) loss on derivative instruments	—	(462)	—	(462)	—	—
Add: Loss on debt extinguishment	—	299	—	299	—	—
Non-GAAP income before provision for income taxes	139,740	156,694	133,316	152,547	6,424	4,147
Assumed non-GAAP income tax provision (2)	44,717	50,142	42,661	48,815	2,056	1,327
Non-GAAP net income	$ 95,023	$ 106,552	$ 90,655	$ 103,732	$ 4,368	$ 2,820
Shares used in computing Non-GAAP diluted earnings per share	47,316,538	47,775,702	47,316,538	47,775,702	—	—
Non-GAAP diluted earnings per share	$ 2.01	$ 2.23	$ 1.92	$ 2.17	$ 0.09	$ 0.06

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Note 1: The individual amounts for each quarter may not sum to full year totals due to rounding.
Note 2: Beginning in 2018, we now apply a non-GAAP effective tax rate of 20.0% in our determination of non-GAAP net income. All 2016 and 2017 measures of the tax impact related to non-GAAP adjustments, non-GAAP net income and non-GAAP diluted earnings per share included in these materials are calculated under Blackbaud's historical non-GAAP effective tax rate of 32.0%.

Historical Consolidated Balance Sheets Reflecting the Adoption of ASU 2014-09 (Unaudited)

(in thousands)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Assets						
Current assets:						
Cash and cash equivalents	$ 16,902	$ 13,872	$ 17,268	$ 17,050	$ 29,830	$ 25,013
Restricted cash due to customers	353,771	157,574	267,940	139,095	610,344	170,792
Accounts receivable, net of allowance	88,261	89,823	129,129	100,097	95,679	88,911
Customer funds receivable	—	—	—	—	1,536	6,373
Prepaid expenses and other current assets	54,211	59,012	59,780	56,638	61,978	68,474
Total current assets	513,145	320,281	474,117	312,880	799,367	359,563
Property and equipment, net	50,269	47,200	45,679	43,903	42,243	44,647
Software development costs, net	37,582	41,139	44,962	48,618	54,098	57,062
Goodwill	438,240	438,307	472,643	472,776	530,249	537,433
Intangible assets, net	253,676	243,263	263,347	252,713	314,651	306,776
Other assets	52,097	50,577	51,902	54,095	57,238	62,453
Total assets	$ 1,345,009	$ 1,140,767	$ 1,352,650	$ 1,184,985	$ 1,797,846	$ 1,367,934
Liabilities and stockholders' equity						
Current liabilities:						
Trade accounts payable	$ 23,274	$ 20,666	$ 17,660	$ 17,830	$ 24,693	$ 23,619
Accrued expenses and other current liabilities	54,196	39,072	46,508	45,650	54,399	40,113
Due to customers	353,771	157,574	267,940	139,095	611,880	177,165
Debt, current portion	4,375	4,375	7,500	8,576	8,576	8,576
Deferred revenue, current portion	243,849	236,143	279,637	275,687	275,063	254,877
Total current liabilities	679,465	457,830	619,245	486,838	974,611	504,350
Debt, net of current portion	338,018	351,995	380,162	329,380	429,648	458,592
Deferred tax liability	43,475	44,195	54,405	55,196	48,023	48,080
Deferred revenue, net of current portion	6,440	7,681	6,067	5,412	3,643	5,075
Other liabilities	8,533	7,802	7,572	7,800	5,632	7,516
Total liabilities	1,075,931	869,503	1,067,451	884,626	1,461,557	1,023,613
Commitments and contingencies						
Stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock, $0.001 par value	58	58	58	59	59	59
Additional paid-in capital	310,452	319,731	330,559	341,476	351,042	362,113
Treasury stock, at cost	(215,237)	(230,065)	(231,881)	(234,329)	(239,199)	(261,710)
Accumulated other comprehensive loss	(604)	(270)	(623)	(998)	(642)	7,041
Retained earnings	174,409	181,810	187,086	194,151	225,029	236,818
Total stockholders' equity	269,078	271,264	285,199	300,359	336,289	344,321
Total liabilities and stockholders' equity	$ 1,345,009	$ 1,140,767	$ 1,352,650	$ 1,184,985	$ 1,797,846	$ 1,367,934

Historical Consolidated Statements of Comprehensive Income Reflecting the Adoption of ASU 2014-09 (Unaudited)

(in thousands, except share and per share amounts)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
Revenue							
Recurring	$ 609,063	$ 160,047	$ 166,389	$ 167,506	$ 190,641	$ 684,583	$ 180,846
One-time services and other	122,579	25,025	25,200	26,918	26,761	103,904	23,338
Total revenue	731,642	185,072	191,589	194,424	217,402	788,487	204,184
Cost of revenue							
Cost of recurring	246,669	63,875	66,178	66,747	80,839	277,639	69,079
Cost of one-time services and other	92,551	21,607	20,817	20,258	21,583	84,265	18,958
Total cost of revenue	339,220	85,482	86,995	87,005	102,422	361,904	88,037
Gross profit	392,422	99,590	104,594	107,419	114,980	426,583	116,147
Operating expenses							
Sales, marketing and customer success	150,157	40,997	42,580	42,646	43,336	169,559	45,477
Research and development	89,870	22,706	22,870	22,071	22,264	89,911	25,958
General and administrative	81,331	21,923	21,882	23,545	27,520	94,870	25,051
Amortization	2,840	691	739	734	1,107	3,271	1,269
Restructuring	—	—	—	—	794	794	811
Total operating expenses	324,198	86,317	88,071	88,996	95,021	358,405	98,566
Income from operations	68,224	13,273	16,523	18,423	19,959	68,178	17,581
Interest expense	(10,583)	(2,377)	(3,216)	(3,092)	(3,412)	(12,097)	(3,517)
Other (expense) income, net	(291)	286	827	468	679	2,260	160
Income before provision (benefit) for income taxes	57,350	11,182	14,134	15,799	17,226	58,341	14,224
Income tax provision (benefit)	11,946	(1,960)	3,105	2,975	(19,412)	(15,292)	(3,527)
Net income	$ 45,404	$ 13,142	$ 11,029	$ 12,824	$ 36,638	$ 73,633	$ 17,751
Earnings per share							
Basic	$ 0.98	$ 0.28	$ 0.24	$ 0.27	$ 0.78	$ 1.58	$ 0.38
Diluted	$ 0.96	$ 0.28	$ 0.23	$ 0.27	$ 0.76	$ 1.54	$ 0.37
Common shares and equivalents outstanding							
Basic weighted average shares	46,132,389	46,501,761	46,662,481	46,711,709	46,794,744	46,669,440	47,019,603
Diluted weighted average shares	47,316,538	47,482,840	47,691,340	47,846,997	48,014,250	47,775,702	48,009,395
Dividends per share	$ 0.48	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.48	$ 0.12
Other comprehensive income (loss)							
Foreign currency translation adjustment	204	152	(348)	(108)	(484)	(788)	6,437
Unrealized gain (loss) on derivative instruments, net of tax	45	182	(4)	(267)	840	751	1,079
Total other comprehensive income (loss)	249	334	(352)	(375)	356	(37)	7,516
Comprehensive income	$ 45,653	$ 13,476	$ 10,677	$ 12,449	$ 36,994	$ 73,596	$ 25,267

Note 1: The individual amounts for each quarter may not sum to full year totals due to rounding.

Historical Consolidated Statements of Cash Flows Reflecting the Adoption of ASU 2014-09 (Unaudited)

(in thousands)	12 months ending 12/31/2016	3 months ending 3/31/2017	6 months ending 6/30/2017	9 months ending 9/30/2017	12 months ending 12/31/2017	3 months ending 3/31/2018
Cash flows from operating activities						
Net income	$ 45,404	$ 13,142	$ 24,171	$ 36,995	$ 73,633	$ 17,751
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	70,491	18,091	36,481	54,765	73,948	19,820
Provision for doubtful accounts and sales returns	3,730	2,738	5,469	7,246	11,686	1,774
Stock-based compensation expense	32,638	9,294	20,129	31,055	40,631	11,092
Deferred taxes	5,415	592	(1,524)	(568)	(17,814)	902
Amortization of deferred financing costs and discount	958	239	468	650	838	188
Other non-cash adjustments	(864)	(243)	(540)	572	504	(197)
Changes in operating assets and liabilities, net of acquisition of businesses:						
Accounts receivable	(13,007)	(4,027)	(44,809)	(17,097)	(15,821)	5,088
Prepaid expenses and other assets	(8,495)	(3,195)	(3,262)	(2,524)	(9,550)	(10,052)
Trade accounts payable	3,689	(1,267)	(3,951)	(2,891)	1,024	(1,655)
Accrued expenses and other liabilities	(751)	(15,536)	(8,467)	(9,522)	(4,973)	(14,092)
Deferred revenue	14,420	(7,064)	30,386	24,704	22,184	(18,866)
Net cash provided by operating activities	153,628	12,764	54,551	123,385	176,290	11,753
Cash flows from investing activities						
Purchase of property and equipment	(17,694)	(2,719)	(5,666)	(8,417)	(10,208)	(5,771)
Capitalized software development costs	(26,359)	(6,583)	(13,614)	(20,605)	(28,345)	(7,103)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(3,377)	59	(49,729)	(49,729)	(146,789)	(5,036)
Purchase of derivative instruments	—	—	(516)	(516)	(568)	—
Proceeds from settlement of derivative instruments	—	—	—	1,030	1,030	—
Net cash used in investing activities	(47,430)	(9,243)	(69,525)	(78,237)	(184,880)	(17,910)
Cash flows from financing activities						
Proceeds from issuance of debt	227,200	67,600	575,700	588,300	774,500	81,700
Payments on debt	(293,575)	(53,794)	(529,169)	(594,144)	(679,119)	(52,875)
Debt issuance costs	—	—	(3,085)	(3,085)	(3,085)	—
Employee taxes paid for withheld shares upon equity award settlement	(15,376)	(14,828)	(16,644)	(19,092)	(23,962)	(22,511)
Proceeds from exercise of stock options	16	11	14	14	15	9
Change in due to customers	96,000	(195,999)	(85,581)	(214,244)	226,717	(434,640)
Customer funds receivable	—	—	—	—	6,644	(4,783)
Dividend payments to stockholders	(22,811)	(5,765)	(11,530)	(17,299)	(23,069)	(5,825)
Net cash (used in) provided by financing activities	(8,546)	(202,775)	(70,295)	(259,550)	278,641	(438,925)
Effect of exchange rate on cash, cash equivalents, and restricted cash	2,622	26	(196)	(126)	(550)	713
Net increase (decrease) in cash, cash equivalents, and restricted cash	100,274	(199,228)	(85,465)	(214,528)	269,501	(444,369)
Cash, cash equivalents, and restricted cash, beginning of period	270,399	370,673	370,673	370,673	370,673	640,174
Cash, cash equivalents, and restricted cash, end of period	$ 370,673	$ 171,445	$ 285,208	$ 156,145	$ 640,174	$ 195,805

Historical Reconciliations of GAAP to Non-GAAP Financial Measures Reflecting the Adoption of ASU 2014-09 (Unaudited)

(in thousands, except share and per share amounts)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
GAAP Revenue	$ 731,642	$ 185,072	$ 191,589	$ 194,424	$ 217,402	$ 788,487	$ 204,184
Non-GAAP adjustments:							
Add: Acquisition-related deferred revenue write-down	3,639	—	348	349	1,799	2,496	348
Non-GAAP revenue	$ 735,281	$ 185,072	$ 191,937	$ 194,773	$ 219,201	$ 790,983	$ 204,532
GAAP gross profit	$ 392,422	$ 99,590	$ 104,594	$ 107,419	$ 114,980	$ 426,583	$ 116,147
GAAP gross margin	53.6%	53.8%	54.6%	55.2%	52.9%	54.1%	56.9%
Non-GAAP adjustments:							
Add: Acquisition-related deferred revenue write-down	3,639	—	348	349	1,799	2,496	348
Add: Stock-based compensation expense	3,297	791	950	934	795	3,470	1,095
Add: Amortization of intangibles from business combinations	39,558	9,855	10,072	9,976	10,196	40,099	10,386
Add: Employee severance	382	952	21	—	21	994	575
Add: Acquisition-related integration costs	—	86	—	—	—	86	—
Subtotal	46,876	11,684	11,391	11,259	12,811	47,145	12,404
Non-GAAP gross profit	$ 439,298	$ 111,274	$ 115,985	$ 118,678	$ 127,791	$ 473,728	$ 128,551
Non-GAAP gross margin	59.7%	60.1%	60.4%	60.9%	58.3%	59.9%	62.9%
GAAP income from operations	$ 68,224	$ 13,273	$ 16,523	$ 18,423	$ 19,959	$ 68,178	$ 17,581
GAAP operating margin	9.3%	7.2%	8.6%	9.5%	9.2%	8.6%	8.6%
Non-GAAP adjustments:							
Add: Acquisition-related deferred revenue write-down	3,639	—	348	349	1,799	2,496	348
Add: Stock-based compensation expense	32,638	9,294	10,835	10,926	9,576	40,631	11,092
Add: Amortization of intangibles from business combinations	42,398	10,546	10,811	10,710	11,303	43,370	11,655
Add: Employee severance	1,995	2,746	120	128	1,351	4,345	931
Add: Acquisition-related integration costs	1,419	230	—	383	353	966	433
Add: Acquisition-related expenses	301	570	1,762	1,519	2,063	5,914	394
Add: Restructuring costs	—	—	—	—	794	794	811
Subtotal	82,390	23,386	23,876	24,015	27,239	98,516	25,664
Non-GAAP income from operations	$ 150,614	$ 36,659	$ 40,399	$ 42,438	$ 47,198	$ 166,694	$ 43,245
Non-GAAP operating margin	20.5%	19.8%	21.0%	21.8%	21.5%	21.1%	21.1%
GAAP income before provision for income taxes	$ 57,350	$ 11,182	$ 14,134	$ 15,799	$ 17,226	$ 58,341	$ 14,224
GAAP net income	$ 45,405	$ 13,142	$ 11,029	$ 12,824	$ 36,638	$ 73,633	$ 17,751
Shares used in computing GAAP diluted earnings per share	47,316,538	47,482,840	47,691,340	47,846,997	48,014,250	47,775,702	48,009,395
GAAP diluted earnings per share	$ 0.96	$ 0.28	$ 0.23	$ 0.27	$ 0.76	$ 1.54	$ 0.37
Non-GAAP adjustments:							
Add: GAAP income tax provision (benefit)	11,946	(1,960)	3,105	2,975	(19,412)	(15,292)	(3,527)
Add: Total Non-GAAP adjustments affecting income from operations	82,390	23,386	23,876	24,015	27,239	98,516	25,664
(Less) add: (Gain) loss on derivative instruments	—	—	(475)	3	10	(462)	—
Add: Loss on debt extinguishment	—	—	162	137	—	299	—
Non-GAAP income before provision for income taxes	139,740	34,568	37,697	39,954	44,475	156,694	39,888
Assumed non-GAAP income tax provision [2]	44,717	11,062	12,063	12,785	14,232	50,142	7,978
Non-GAAP net income	$ 95,023	$ 23,506	$ 25,634	$ 27,169	$ 30,243	$ 106,552	$ 31,910
Shares used in computing Non-GAAP diluted earnings per share	47,316,538	47,482,840	47,691,340	47,846,997	48,014,250	47,775,702	48,009,395
Non-GAAP diluted earnings per share	$ 2.01	$ 0.50	$ 0.54	$ 0.57	$ 0.63	$ 2.23	$ 0.66

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Note 1: The individual amounts for each quarter may not sum to full year totals due to rounding.
Note 2: Beginning in 2018, we now apply a non-GAAP effective tax rate of 20.0% in our determination of non-GAAP net income. All 2016 and 2017 measures of the tax impact related to non-GAAP adjustments, non-GAAP net income and non-GAAP diluted earnings per share included in these materials are calculated under Blackbaud's historical non-GAAP effective tax rate of 32.0%.

Historical Reconciliations of GAAP to Non-GAAP Financial Measures Reflecting the Adoption of ASU 2014-09 (Unaudited)

(in thousands)	12 months ending 12/31/2016	3 months ending 3/31/2017	6 months ending 6/30/2017	9 months ending 9/30/2017	12 months ending 12/31/2017	3 months ending 3/31/2018
GAAP net cash provided by operating activities	153,628	12,764	54,551	123,385	176,290	11,753
Less: purchase of property and equipment	(17,694)	(2,719)	(5,666)	(8,417)	(10,208)	(5,771)
Less: capitalized software development costs	(26,359)	(6,583)	(13,614)	(20,605)	(28,345)	(7,103)
Non-GAAP free cash flow	$ 109,575	$ 3,462	$ 35,271	$ 94,363	$ 137,737	$ (1,121)