

BLACKBAUD INC
Form 10-K/A
October 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 2

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

For the Fiscal Year ended December 31, 2012

or

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

For the transition period from _____ to _____.

Commission file number: 000-50600

BLACKBAUD, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2617163
(I.R.S. Employer Identification No.)

2000 Daniel Island Drive
Charleston, South Carolina 29492
(Address of principal executive offices, including zip code)

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

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

Title of Each Class
Common Stock, \$0.001 Par Value

Name of Each Exchange on which Registered
The NASDAQ Stock Market LLC

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(NASDAQ Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES NO

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2012 (based on the closing sale price of \$25.67 on that date), was approximately \$870,484,845. Common stock held by each officer and director and by each person known to the registrant who owned 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant's Common Stock outstanding as of February 12, 2013 was 45,630,704.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Stockholders held on June 19, 2013 are incorporated by reference into Part III hereof.

Explanatory Note

This Amendment No. 2 on Form 10-K/A of Blackbaud, Inc. amends our Annual Report on Form 10-K for the year ended December 31, 2012, initially filed with the United States Securities Exchange Commission on February 27, 2013, as amended by Amendment No. 1 thereto filed on June 21, 2013 (“Amendment No. 1”). This Amendment No. 2 is being filed solely to supplement disclosure under “Item 9A. Controls and procedures” of Amendment No. 1. This filing also includes an amended “Item 15. Exhibits and financial statements schedules.” There have been no changes or updates to the financial statements included herein since the date of the original filing. The changes to Item 15 include an updated consent of our independent registered public accounting firm and updated certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Except as set forth above, our original Annual Report on Form 10-K is not being amended or updated in any other manner.

Item 9A. Controls and procedures

Evaluation of disclosure controls and procedures

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

Changes in internal control over financial reporting

In connection with the acquisition of Convio, we performed certain due diligence procedures related to Convio’s financial reporting and disclosure controls. As part of the ongoing integration, we will continue to assess the overall control environment of this business. No change in internal control over financial reporting occurred during the most recent fiscal quarter with respect to our operations, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012, based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

Attestation Report of Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2012, has been audited by our independent registered public accounting firm, as stated in their attestation report, which is included herein.

Item 15. Exhibits and financial statement schedules

(a) Financial statements

The following statements were filed as part of the Annual Report on Form 10-K amended by this report and located at the pages in the Form 10-K as indicated below. The financial statements included herein have not changed from the original filing on February 27, 2013.

	Page No.
<u>Report of independent registered public accounting firm</u>	<u>F-2</u>
<u>Consolidated balance sheets as of December 31, 2012 and 2011</u>	<u>F-3</u>
<u>Consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-4</u>
<u>Consolidated statements of cash flows for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-5</u>
<u>Consolidated statements of stockholders' equity for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-6</u>
<u>Notes to consolidated financial statements</u>	<u>F-7</u>

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements thereto.

(b) Exhibits

Exhibit Number	Description of Document	Filed In Registrant's Form	Dated	Exhibit Number	Filed Herewith
2.1	Agreement and Plan of Merger and Reincorporation dated April 6, 2004	S-1/A	4/6/2004	2.1	
2.2	Stock Purchase Agreement dated January 16, 2007 by and among Target Software, Inc., Target Analysis Group, Inc., all of the stockholders of Target Software, Inc. and Target Analysis Group, Inc., Charles Longfield, as stockholder representative, and Blackbaud, Inc.	8-K	1/18/2007	2.2	
2.3	Agreement and Plan of Merger dated as of May 29, 2008 by and among Blackbaud, Inc., Eucalyptus Acquisition Corporation and Kintera, Inc.	8-K	5/30/2008	2.3	
2.4	Share Purchase Agreement dated as of April 29, 2009 between RLC Group B.V., as the Seller, and Blackbaud, Inc., as the Purchaser	10-Q	8/7/2009	10.42	
2.5	* Stock Purchase Agreement dated as of February 1, 2011 by and among Public Interest Data, Inc., all for the stockholders of Public Interest Data, Inc., Stephen W. Zautke, as stockholder representative and Blackbaud, Inc.	10-Q	5/10/2011	2.3	
2.6		8-K	1/17/2012	2.4	

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Agreement and Plan of Merger dated as of January 16,
2012 by and among Blackbaud, Inc., Caribou
Acquisition Corporation and Convio, Inc.

2.7	Stock Purchase Agreement dated as of October 6, 2011 by and among Everyday Hero Pty. Ltd., all of the stockholders of Everyday Hero Pty. Ltd., Nathan Betteridge as stockholder representative and Blackbaud Pacific Pty. Ltd.	10-K	2/29/2012	2.7
3.4	Amended and Restated Certificate of Incorporation of Blackbaud, Inc.	DEF 14A	4/30/2009	
3.5	Amended and Restated Bylaws of Blackbaud, Inc.	8-K	3/22/2011	3.4

3

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Exhibit Number	Description of Document	Filed In Registrant's Form	Dated	Exhibit Number	Filed Herewith
10.5	Trademark License and Promotional Agreement dated as of October 13, 1999 between Blackbaud, Inc. and Charleston Battery, Inc.	S-1	2/20/2004	10.5	
10.6	Blackbaud, Inc. 1999 Stock Option Plan, as amended	S-1/A	4/6/2004	10.6	
10.8	Blackbaud, Inc. 2001 Stock Option Plan, as amended	S-1/A	4/6/2004	10.8	
10.20	Blackbaud, Inc. 2004 Stock Plan, as amended, together with Form of Notice of Stock Option Grant and Stock Option Agreement	8-K	6/20/2006	10.20	
10.26	Form of Notice of Restricted Stock Grant and Restricted Stock Agreement under the Blackbaud, Inc. 2004 Stock Plan	10-K	2/28/2007	10.26	
10.27	Form of Notice of Stock Appreciation Rights Grant and Stock Appreciation Rights Agreement under the Blackbaud, Inc. 2004 Stock Plan	10-K	2/28/2007	10.27	
10.33	Blackbaud, Inc. 2008 Equity Incentive Plan	DEF 14A	4/29/2008		
10.34	Form of Notice of Grant and Stock Option Agreement under Blackbaud, Inc. 2008 Equity Incentive Plan	S-8	8/4/2008	10.34	
10.35	Form of Notice of Grant and Restricted Stock Agreement under Blackbaud, Inc. 2008 Equity Incentive Plan	S-8	8/4/2008	10.35	
10.36	Form of Notice of Grant and Stock Appreciation Rights Agreement under Blackbaud, Inc. 2008 Equity Incentive Plan	S-8	8/4/2008	10.36	
10.37	** Kintera, Inc. 2000 Stock Option Plan, as amended, and form of Stock Option Agreement thereunder	10-K/A	3/26/2008	10.2	
10.38	** Kintera, Inc. Amended and Restated 2003 Equity Incentive Plan, as amended, and form of Stock Option Agreement thereunder	10-K/A	3/26/2008	10.3	
10.39	Form of Retention Agreement	10-Q	11/10/2008	10.37	
10.40	Triple Net Lease Agreement dated as of October 1, 2008 between Blackbaud, Inc. and Duck Pond Creek-SPE, LLC	8-K	12/11/2008	10.37	

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10.41	Blackbaud, Inc. 2009 Equity Compensation Plan for Employees from Acquired Companies	S-8	7/2/2009	10.41
10.43	Amended and Restated Employment and Noncompetition Agreement dated January 28, 2010 between Blackbaud, Inc. and Marc Chardon	8-K	2/1/2010	10.43
10.44	Credit Agreement dated as of June 17, 2011 by and among Blackbaud, Inc., as Borrower, the lenders referred to therein, and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender, with Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, and SunTrust Robinson Humphrey, Inc. as Joint Lead Arrangers and Joint Book Managers	8-K	6/23/2011	10.44
10.45	Guaranty Agreement dated as of June 17, 2011, by certain subsidiaries of Blackbaud, Inc., as Guarantors, in favor of Wells Fargo Bank, National Association, as Administrative Agent	8-K	6/23/2011	10.45

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Exhibit Number	Description of Document	Filed In Registrant's Form	Dated	Exhibit Number	Filed Herewith
10.46	Pledge Agreement dated as of June 17, 2011 by Blackbaud, Inc. and certain subsidiaries of Blackbaud, Inc. in favor of Wells Fargo Bank, National Association, as Administrative Agent for the ratable benefit of itself and the lenders referred to therein	8-K	6/23/2011	10.46	
10.47	Employment Agreement dated November 7, 2008 between Blackbaud, Inc. and Tim Williams	10-Q	11/8/2011	10.47	
10.48	Employment Agreement dated November 7, 2008 between Blackbaud, Inc. and Louis Attanasi	10-Q	11/8/2011	10.48	
10.49	Employment Agreement dated November 7, 2008 between Blackbaud, Inc. and Charlie Cumbaa	10-Q	11/8/2011	10.49	
10.50	Employment Agreement dated June 25, 2008 between Blackbaud, Inc. and Kevin Mooney	10-Q	11/8/2011	10.50	
10.51	Amendment No. 1 to the Amended and Restated Employment and Noncompetition Agreement dated December 13, 2011 between Blackbaud, Inc. and Marc Chardon	8-K	12/16/2011	10.51	
10.52	Form of Tender and Support Agreement by and among Blackbaud, Inc. and certain stockholders of Convio, Inc.	8-K	1/17/2012	10.52	
10.53	Amended and Restated Credit Agreement dated as of February 9, 2012 by and among Blackbaud, Inc., as Borrower, the lenders referred to therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Lender, SunTrust Bank, as Syndication Agent, and Bank of America, N.A. and Regions Bank, as Co-Documentation Agents, with J.P. Morgan Securities LLC and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers and Joint Bookrunners	8-K	2/15/2012	10.53	
10.54	Amended and Restated Pledge Agreement dated as of February 9, 2012 by Blackbaud, Inc. in favor of JPMorgan Chase Bank, N.A., as Administrative Agent for the ratable benefit of itself and the lenders referred to therein	8-K	2/15/2012	10.54	
10.55		10-K	2/29/2012	10.55	

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Employment Agreement dated November 14, 2011
between Blackbaud, Inc. and Anthony W. Boor

10.56	Services Agreement dated November 11, 2011 between Blackbaud, Inc. and Timothy V. Williams	10-K	2/29/2012	10.56
10.57	Employment Agreement dated November 16, 2010 between Blackbaud, Inc. and Jana B. Eggers	10-K	2/29/2012	10.57
10.58	Guaranty Agreement dated as of May 4, 2012, by certain subsidiaries of Blackbaud, Inc., as Guarantors, in favor of JP Morgan Chase Bank, N.A., as Administrative Agent	8-K	5/7/2012	10.58
10.59	*** Convio, Inc. 2009 Amended and Restated Stock Incentive Plan, as amended, and forms of stock option agreements	S-1/A	3/19/2010	10.1
10.60	*** Convio, Inc. Form of Nonstatutory Stock Option Notice (Double Trigger)	8-K	2/28/2011	10.1
10.61	*** Convio, Inc. Form of Restricted Stock Unit Notice (Double Trigger) and Agreement	8-K	2/28/2011	10.2

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Exhibit Number	Description of Document	Filed In Registrant's Form	Dated	Exhibit Number	Filed Herewith
10.62	*** Convio, Inc. 1999 Stock Option/Stock Issuance Plan, as amended, and forms of stock option agreements	S-1	1/22/2010	10.2	
10.63	Blackbaud, Inc. 2008 Equity Incentive Plan, as amended	8-K	6/26/2012	10.59	
10.64	Amendment to the Blackbaud, Inc. 2008 Equity Incentive Plan	8-K	6/26/2012	10.60	
10.65	Form of Employment Agreement between Blackbaud, Inc. and each of Anthony W. Boor, Charles T. Cumbaa, Jana B. Eggers, Kevin W. Mooney and Joseph D. Moye	10-K	2/27/2013	10.65	
21.1	Subsidiaries of Blackbaud, Inc	10-K	2/27/2013	21.1	
23.1	Consent of Independent Registered Public Accounting Firm				X
31.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	***** XBRL Instance Document				X
101.SCH	***** XBRL Taxonomy Extension Schema Document				X
101.CAL	***** XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	***** XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	***** XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	***** XBRL Taxonomy Extension Presentation Linkbase Document				X

* The registrant has applied for an extension of the confidential treatment it was previously granted with respect to portions of this exhibit. Those portions have been omitted from the exhibit and filed separately with the U.S.

Securities and Exchange Commission.

** The Kintera, Inc. 2000 Stock Option Plan, as amended, and form of Stock Option Agreement thereunder (“Kintera 2000 Plan Documents”) and the Kintera, Inc. Amended and Restated 2003 Equity Incentive Plan, as amended, and form of Stock Option Agreement thereunder (“Kintera 2003 Plan Documents”) were filed by Kintera in its Form 10-K/A on March 26, 2008 as Exhibits 10.2 and 10.3, respectively. We assumed the Kintera 2000 Plan Documents and Kintera 2003 Plan Documents when we acquired Kintera in July 2008. We filed the Kintera 2000 Plan Documents and Kintera 2003 Plan Documents by incorporation by reference as exhibits 10.37 and 10.38, respectively, in our Form S-8 on August 4, 2008.

*** The Convio, Inc. 2009 Amended and Restated Stock Incentive Plan, as amended, and forms of stock option agreements thereunder (“Convio 2009 Original Plan Documents”) and the Convio, Inc. 1999 Stock Option/Stock Issuance Plan, as amended, and forms of stock option agreements thereunder (“Convio 1999 Plan Documents”) were filed by Convio in its Forms S-1/A and S-1, filed March 19, 2010 and January 22, 2010 as exhibits 10.1 and 10.2, respectively. The Convio, Inc. Form of Nonstatutory Stock Option Notice (Double Trigger) and Convio, Inc. Form of Restricted Stock Unit Notice (Double Trigger) and Agreement were filed by Convio in its Form 8-K on February 28, 2011 as exhibits 10.1 and 10.2 (together with the Convio 2009 Original Plan Documents, the “Convio 2009 Plan Documents”). We assumed the Convio 2009 Plan Documents and Convio 1999 Plan Documents when we acquired Convio in May 2012. We filed the Convio 2009 Plan Documents and Convio 1999 Plan Documents by incorporation by reference as exhibits 10.59, 10.60, 10.61 and 10.62 in our Form S-8 on May 7, 2012.

Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability of that Section, and shall not be part of any registration statement or other document filed under the Securities Act of the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

BLACKBAUD, INC

Signed: October 8, 2013

/S/ ANTHONY W. BOOR
Interim President and Chief Executive Officer
Senior Vice President and Chief Financial
Officer

BLACKBAUD, INC.

Index to consolidated financial statements

	Page No.
<u>Report of independent registered public accounting firm</u>	<u>F-2</u>
<u>Consolidated balance sheets as of December 31, 2012 and 2011</u>	<u>F-3</u>
<u>Consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-4</u>
<u>Consolidated statements of cash flows for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-5</u>
<u>Consolidated statements of stockholders' equity for the years ended December 31, 2012, 2011 and 2010</u>	<u>F-6</u>
<u>Notes to consolidated financial statements</u>	<u>F-7</u>

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Blackbaud, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of Blackbaud, Inc. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ PRICEWATERHOUSECOOPERS LLP

Charlotte, North Carolina

February 27, 2013

Blackbaud, Inc.
Consolidated balance sheets

(in thousands, except share amounts)	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,491	\$ 52,520
Donor restricted cash	68,177	40,205
Accounts receivable, net of allowance of \$8,546 and \$3,913 at December 31, 2012 and 2011, respectively	75,692	62,656
Prepaid expenses and other current assets	40,589	31,016
Deferred tax asset, current portion	15,799	1,551
Total current assets	213,748	187,948
Property and equipment, net	49,063	34,397
Deferred tax asset	—	29,376
Goodwill	265,055	90,122
Intangible assets, net	168,037	44,660
Other assets	9,844	6,087
Total assets	\$ 705,747	\$ 392,590
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 13,623	\$ 13,464
Accrued expenses and other current liabilities	45,996	32,707
Donations payable	68,177	40,205
Debt, current portion	10,000	—
Deferred revenue, current portion	173,899	153,665
Total current liabilities	311,695	240,041
Debt, net of current portion	205,500	—
Deferred tax liability	24,468	—
Deferred revenue, net of current portion	11,119	9,772
Other liabilities	5,281	2,775
Total liabilities	558,063	252,588
Commitments and contingencies (see Note 11)		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.001 par value; 180,000,000 shares authorized, 54,859,604 and 53,959,532 shares issued at December 31, 2012 and 2011, respectively	55	54
Additional paid-in capital	203,638	175,401
Treasury stock, at cost; 9,209,371 and 9,019,824 shares at December 31, 2012 and 2011, respectively	(170,898)	(166,226)
Accumulated other comprehensive loss	(1,973)	(1,148)
Retained earnings	116,862	131,921
Total stockholders' equity	147,684	140,002
Total liabilities and stockholders' equity	\$ 705,747	\$ 392,590

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

F-3

Blackbaud, Inc.
Consolidated statements of comprehensive income

(in thousands, except share and per share amounts)	Year ended December 31,		
	2012	2011	2010
Revenue			
License fees	\$20,551	\$19,475	\$23,719
Subscriptions	162,102	103,544	83,912
Services	119,626	108,781	87,663
Maintenance	136,101	130,604	124,559
Other revenue	9,039	8,464	6,712
Total revenue	447,419	370,868	326,565
Cost of revenue			
Cost of license fees	2,993	3,345	3,003
Cost of subscriptions	68,773	42,536	31,155
Cost of services	97,208	79,086	66,755
Cost of maintenance	26,001	25,178	24,123
Cost of other revenue	7,485	7,049	7,103
Total cost of revenue	202,460	157,194	132,139
Gross profit	244,959	213,674	194,426
Operating expenses			
Sales and marketing	95,218	75,361	69,469
Research and development	64,692	47,672	45,499
General and administrative	63,308	36,933	32,636
Impairment of cost method investment	200	1,800	—
Amortization	2,106	980	798
Total operating expenses	225,524	162,746	148,402
Income from operations	19,435	50,928	46,024
Interest income	146	183	84
Interest expense	(5,864)	) (200)	) (74)
Other income (expense), net	(392)	) 346	) (98)
Income before provision for income taxes	13,325	51,257	45,936
Income tax provision	6,742	18,037	16,749
Net income	\$6,583	\$33,220	\$29,187
Earnings per share			
Basic	\$0.15	\$0.76	\$0.68
Diluted	\$0.15	\$0.75	\$0.67
Common shares and equivalents outstanding			
Basic weighted average shares	44,145,535	43,522,563	43,145,189
Diluted weighted average shares	44,691,845	44,149,054	43,876,155
Dividends per share	\$0.48	\$0.48	\$0.44
Other comprehensive loss			
Foreign currency translation adjustment	(34)	) (336)	) (506)
Unrealized loss on derivative instruments, net of tax	(791)) —) —
Total other comprehensive loss	(825)	) (336)	) (506)
Comprehensive income	\$5,758	\$32,884	\$28,681

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

F-4

Blackbaud, Inc.

Consolidated statements of cash flows

(in thousands)	Year ended December 31,		
	2012	2011	2010
Cash flows from operating activities			
Net income	\$6,583	\$33,220	\$29,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,879	16,995	16,189
Provision for doubtful accounts and sales returns	9,591	5,646	2,773
Stock-based compensation expense	19,240	14,884	13,059
Excess tax benefits from stock-based compensation	(81)	(932)	(2,665)
Deferred taxes	7,585	13,533	11,313
Impairment of cost method investment	200	1,800	—
Gain on sale of assets	—	(549)	—
Other non-cash adjustments	747	(878)	(22)
Changes in operating assets and liabilities, net of acquisition of businesses:			
Accounts receivable	(9,397)	(8,692)	(12,778)
Prepaid expenses and other assets	(8,817)	(2,915)	(10,109)
Trade accounts payable	(1,363)	1,714	228
Accrued expenses and other liabilities	(388)	(1,056)	(4,248)
Donor restricted cash	(27,990)	(22,862)	(3,446)
Donations payable	27,990	22,862	3,446
Deferred revenue	12,912	12,757	13,121
Net cash provided by operating activities	68,691	85,527	56,048
Cash flows from investing activities			
Purchase of property and equipment	(20,557)	(18,215)	(10,760)
Purchase of net assets of acquired companies, net of cash acquired	(280,687)	(23,385)	(5,334)
Purchase of investment	—	—	(2,000)
Capitalized software development costs	(1,245)	(1,012)	(175)
Purchase of intangible assets	—	—	(130)
Proceeds from sale of assets	—	874	—
Net cash used in investing activities	(302,489)	(41,738)	(18,399)
Cash flows from financing activities			
Proceeds from issuance of debt	315,000	—	4,000
Payments on debt	(99,500)	—	(5,175)
Payments of deferred financing costs	(2,440)	(767)	—
Proceeds from exercise of stock options	3,146	2,041	8,065
Excess tax benefits from stock-based compensation	81	932	2,665
Purchase of treasury stock	—	—	(22,613)
Dividend payments to stockholders	(21,731)	(21,429)	(19,490)
Payments on capital lease obligations	—	(40)	(164)
Net cash provided by (used in) financing activities	194,556	(19,263)	(32,712)
Effect of exchange rate on cash and cash equivalents	213	(10)	298
Net increase (decrease) in cash and cash equivalents	(39,029)	24,516	5,235
Cash and cash equivalents, beginning of year	52,520	28,004	22,769
Cash and cash equivalents, end of year	\$13,491	\$52,520	\$28,004

Supplemental disclosure of cash flow information

Cash paid during the year for:

Interest	\$ (5,098	) \$2	\$87
Taxes, net of refunds	\$ (3,456	) \$ (4,601	) \$9,527
Purchase of equipment included in accounts payable	\$4,641	\$4,760	\$2,630

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

F-5

Blackbaud, Inc.

Consolidated statements of stockholders' equity

(in thousands, except share amounts)	Common stock		Additional paid-in capital	Treasury stock	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2009	52,214,606	\$ 52	\$ 134,643	\$(134,382)	\$ (306)	\$ 110,286	\$ 110,293
Net income	—	—	—	—	—	29,187	29,187
Payment of dividends	—	—	—	—	—	(19,490)	(19,490)
Purchase of 1,007,082 treasury shares under stock repurchase program	—	—	—	(22,613)	—	—	(22,613)
Exercise of stock options and stock appreciation rights	729,295	1	8,064	—	—	—	8,065
Surrender of 158,459 shares upon restricted stock vesting and exercise of stock appreciation rights	—	—	—	(4,191)	—	—	(4,191)
Tax impact of exercise of equity-based compensation	—	—	2,665	—	—	—	2,665
Stock-based compensation	—	—	13,000	—	—	59	13,059
Restricted stock grants	460,659	—	—	—	—	—	—
Restricted stock cancellations	(88,280)	—	—	—	—	—	—
Comprehensive income	—	—	—	—	(506)	—	(506)
Balance at December 31, 2010	53,316,280	\$ 53	\$ 158,372	\$(161,186)	\$ (812)	\$ 120,042	\$ 116,469
Net income	—	—	—	—	—	33,220	33,220
Payment of dividends	—	—	—	—	—	(21,429)	(21,429)
Exercise of stock options, stock appreciation rights and restricted stock units	262,428	1	2,040	—	—	—	2,041
Surrender of 176,942 shares upon restricted stock vesting and exercise of stock appreciation rights	—	—	—	(5,040)	—	—	(5,040)
Tax impact of exercise of equity-based compensation	—	—	193	—	—	—	193
Stock-based compensation	—	—	14,796	—	—	88	14,884
Restricted stock grants	502,426	—	—	—	—	—	—
Restricted stock cancellations	(121,602)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(336)	—	(336)
Balance at December 31, 2011	53,959,532	\$ 54	\$ 175,401	\$(166,226)	\$ (1,148)	\$ 131,921	\$ 140,002
Net income	—	—	—	—	—	6,583	6,583
Payment of dividends	—	—	—	—	—	(21,731)	(21,731)
Exercise of stock options, stock appreciation rights and restricted stock units	355,180	—	3,146	—	—	—	3,146
Surrender of 189,547 shares upon restricted stock vesting and exercise of stock appreciation rights	—	—	—	(4,672)	—	—	(4,672)
Tax impact of exercise of equity-based compensation	—	—	81	—	—	—	81