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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________.

Commission file number: **000-50600**

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, $0.001 Par Value	**BLKB**	**Nasdaq Global Select Market**
Preferred Stock Purchase Rights	**N/A**	**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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2023 (based on the closing sale price of $71.18 on that date) was approximately $2,292,286,984. 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 14, 2024 was 53,475,414.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2024 Annual Meeting of Stockholders currently scheduled to be held June 12, 2024 are incorporated by reference into Part III hereof. Such definitive Proxy Statement will be filed with the U.S. Securities and Exchange Commission no later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2023.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Important factors that could cause actual results to differ materially from our expectations expressed in forward-looking statements include, but are not limited to, those summarized under “Item 1A. Risk factors” and elsewhere in this report and in our other SEC filings. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this Annual Report on Form 10-K. We undertake no obligation to update or revise any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I.

ITEM 1. BUSINESS

Description of Business

We are the leading software provider exclusively dedicated to powering social impact. Serving the nonprofit and education sectors, companies committed to social responsibility and individual change makers, our essential software is built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management. Blackbaud brings over four decades of leadership to this sector: since originally incorporating in New York in 1982 and later reincorporating as a South Carolina corporation in 1991 and as a Delaware corporation in 2004. Millions of people across more than 100 countries connect, give, learn and engage through Blackbaud platforms. During 2023, we had nearly 100,000 customers that paid Blackbaud through transactional fees and more than 40,000 customers with contractual billing arrangements. We are deeply proud to play a part in our customers' success in their missions to provide healthcare and cure diseases, advance education, preserve and share arts and culture, protect the environment, support those in need and much more.

Market Overview

The social impact market is significant, spanning far beyond philanthropy, and our addressable market is substantial and growing

There are millions of organizations globally focused on social impact including nonprofits, foundations, education institutions and healthcare organizations. In the corporate sector, demonstrating positive social impact has become a business imperative. Countless individuals also engage in social impact by donating funds, volunteering their time, advocating for a cause, receiving services from or otherwise engaging with social impact organizations.

Traditional methods of fundraising and organizational management are often costly and inefficient

Many social impact organizations use manual methods or software applications not specifically designed for fundraising and organizational management for institutions like theirs. Such methods are often costly and inefficient because of the difficulties in effectively collecting, sharing and using donation-related information. Furthermore, general purpose software applications frequently have limited functionality for the unique needs of our customer base and do not efficiently integrate multiple databases. Some social impact organizations have developed proprietary software, but doing so is expensive, requiring on-site technical personnel for development, implementation and maintenance.

The nonprofit industry faces particular operational challenges

Nonprofit organizations — and any other entity that includes fundraising as a revenue source, including education institutions, healthcare organizations and houses of worship — must efficiently:

- Solicit funds and build relationships with major and institutional donors;
- Garner small cash contributions from numerous contributors;
- Manage and develop complex relationships with large numbers of constituents;
- Communicate their accomplishments and the importance of their mission online and offline;
- Comply with complex accounting, tax and reporting requirements that differ from those for for-profit businesses;
- Solicit cash and in-kind contributions from businesses to help raise money or deliver products and services;
- Provide a wide array of programs and services to individual constituents and beneficiaries; and
- Improve the data collection and information sharing capabilities of their employees, volunteers and donors by creating and providing distributed access to centralized databases.

Because of these challenges, we believe nonprofits, education institutions, healthcare organizations and houses of worship can benefit from software applications and services specifically designed to serve their particular needs and workflows to grow revenue, work effectively and accomplish their missions.

Companies, grantmaking institutions and foundations also face unique challenges

Companies, grantmaking institutions and foundations, face their own unique challenges in their social impact efforts, including the need to:

- Quantify and improve the impact of their grants;
- Cultivate better relationships with grantees;
- Achieve better internal collaboration and alignment with board members, reviewers and other stakeholders;
- Illustrate the impact of their corporate philanthropy and education efforts to the communities they serve;
- Engage employees in meaningful volunteering, giving and other activities;
- Ensure that their philanthropic efforts align with their business initiatives;
- Manage all of a foundation's activities, including fundraising and accounting;
- Expand the reach of their fundraising efforts; and
- Cultivate new and existing donors.

Strategy

Our objective is to maintain and extend our position as the leading provider of cloud software and services for the global social impact community, supporting our customers' missions from securing resources and managing their operations, to delivering their programs and measuring their impact. Our key strategies for achieving this objective are described below.

Execute on our Five Key Operational Initiatives

In early 2023, we outlined five key operational initiatives targeted to drive innovation, bookings growth, revenue expansion and lower costs. During 2023, we have executed on these key initiatives.

1. *Product Innovation and Delivery*

   Product is core at Blackbaud, and we strive to bring increased value to our customers with improved and innovative capabilities. We have recently announced or released a number of product enhancements as well as new solutions that enable our customers to better deliver on their missions. Some examples include:

   - Optimized Online Donation Capabilities: New online donation capabilities that fully integrate with Blackbaud's payment processing and CRM software and enable customers to raise more money while reducing processing costs. We recently began an early adopter program for the new donation capabilities with a small sample of RE NXT customers across charity, education, and arts and cultural organizations. We expect to make them generally available in the first half of 2024.

   - Prospect Insights Pro for Raiser's Edge NXT®: New add-on capability within Raiser's Edge NXT® that gives fundraisers access to AI-driven insights to support planned and major gift fundraising

   - Impact Edge™: A first-of-its-kind AI-powered, social impact reporting and storytelling solution for corporate social responsibility (CSR) and social impact teams of all sizes. This new solution is currently in an early adopter program with our planned full roll out in the second half of 2024.

   - JustGiving Storywriter: With new generative AI capabilities, fundraisers on JustGiving are able to quickly and easily create personal stories to share with their networks. Company research has shown that JustGiving pages that include a clear and personal story raise approximately 65% more than those that do not.

   - Good Move™: New development transformed the Good Move activity-tracking mobile app into a powerful mobile participant center for Blackbaud TeamRaiser® peer-to-peer fundraising events. The new expansive feature for Blackbaud TeamRaiser® became generally available in the U.S. and Canada in March 2023.

- Intelligence for Good®: In summer 2023, we launched next generation Intelligence for Good® strategy with an extensive agenda of initiatives and investments targeted at making artificial intelligence more accessible, powerful and responsible across the social impact sector

2. *Bookings Growth and Acceleration*

We maintain a keen focus on accelerating bookings growth by signing new logos as well as upselling and cross-selling our existing customer base. Our sales team is split between prospect account executives dedicated to prospecting for new clients and customer account executives who focus on selling additional products to current customers. Given the breadth of our product portfolio, this "land and expand" model has proven successful for us over time. As previously disclosed, there can be volatility quarter-to-quarter on bookings.

3. *Transactional Revenue Optimization and Expansion*

Transactional revenue, which is about one-third of total revenue, is comprised of four primary components: donation processing (~55% of total transactional revenue); consumer giving (~20%); tuition management (~20%); and event-based usage (~5%). The diversity of the underlying transaction volumes from these four sources has resulted in consistent transactional recurring revenue growth in the mid-to-high single digits over the past several years. Strong momentum in consumer giving and tuition management, rate increases on Blackbaud Merchant Services, and increased donations tied to global events drove continued solid transactional recurring revenue growth in 2023. Going forward we will continue to implement additional payments solutions optimization to drive enhanced donor experience.

4. *Modernized Approach to Pricing and Multi-Year Contracts*

Last summer, we put in place an updated pricing policy primarily for our social sector customers that directly reflects the value we provide to them, is in-line with the broader market and reflects the inflationary pressures that all businesses are facing. In November 2022, we started notifying customers with a March 2023 contract renewal that we would be making important contract changes. First, we are offering 3-year contract renewal terms as our standard, replacing one-year renewal terms. This process was already being implemented outside of the pricing changes. Second, we are implementing a more significant rate increase on the 1-year renewal option versus the 3-year renewal option. And third, the 3-year renewal option includes embedded annual rate increases. Our 3-year renewal options did not historically include annual rate increases.

We have now completed the 2023 renewal cohort, which represented approximately 35% of the total contractual revenue eligible for this program. Approximately another 30% of the renewable base is up for renewal in 2024, another 25% in 2025, and the remaining 10% in the beginning of 2026. The close day-to-day management of renewals, the mix of 3-year and 1-year contracts, and the impact of pricing are progressing well, and we expect more impact from the compounding effect of these rate increases over time as we layer in future year contract renewals and annual rate increases. Additionally, the adoption of 3-year renewals as a standard, with more customers opting for this option than we originally expected, are expected to have an added benefit of higher retention which provides greater revenue assurance and predictability. Looking even further ahead, the cycle starts fresh in 2026 as the 2023 signed contracts will begin to renew. We expect that this will be a sustainable and meaningful revenue growth stream for us.

5. *Keen Attention to Cost Management*

Cost management initiatives already completed drove a significant improvement in profitability during 2023. These initiatives included:

- A reduction in headcount from approximately 3,600 in the third quarter of 2022 to approximately 3,000 as of December 31, 2023
- Continued IT consolidation as we migrate customers from legacy private data centers to leading public cloud service providers. We closed four legacy data centers during 2022 and two in 2023.
- Renegotiated key vendor contracts including Microsoft Azure and AWS
- Reduced our real estate footprint as part of the shift to a remote first workforce

Going forward, our goal is to run the business at about this headcount level for the foreseeable future, while continuing to drive efficiencies in other areas of the business.

Delight Our Customers

We intend to make our customers' experience with us effective, efficient and satisfying from their initial interest in our solutions and services through their decision to purchase, engage with customer support and implement and use our solutions. We continue to focus on initiatives aimed at improving the consistency and quality of user experience across our offerings. We also continue to evolve the way we package and sell our offerings to provide high quality and value combined with flexibility to meet the unique needs of our existing and prospective customers. In addition, we are continuing to integrate value-adding capabilities such as payment services, analytics and business intelligence into our suite of solutions to better address our customers' needs to raise more revenue with comprehensive offerings. We will continue to focus on providing the highest level of solution support, enhancing our existing solutions, extending our solutions through open APIs and developing new solutions and services designed to help our customers be more effective and achieve their missions.

Attract and Retain Top Talent and Actively Engage Employee Base

Our employees are energized by our opportunity to fuel social impact. Collaboration, innovation, authentic passion for the customers we serve and high standards are core to our culture and help to enable the great work we do. We strive to hire, develop and retain the best employees and provide a supportive and inclusive environment where their talents and potential are realized. In 2021, we formally adopted a "Remote First" model as a company, which supports Blackbaud's goal to attract top talent globally. For additional information, see “Human Capital Resources” below.

Drive Strength in Our Sector as an Industry Thought Leader

In our over 40 years of operation, we have gained significant insight into the overall market and industry segments in which we operate. We produce a wide range of thought leadership resources, including blogs, webinars and white papers, which provide insights and guidance to the social impact community. We also participate in and convene industry forums, where we exchange views and engage with industry and government leaders. Our annual user conference, ***bbcon***®, serves in part as a forum to offer thought leadership to our customers, as do other market-specific user conferences, events and customer gatherings. The Blackbaud Institute is a research lab that leverages Blackbaud's unique data resources, along with original research, to drive insight that accelerates the impact of the social impact community. The research and reports the Blackbaud Institute produces serve to strengthen the social impact community as a whole. ENGAGE, our blog and podcast, provides free best practices resources that drive impact across the social impact community, as well.

The Blackbaud Social Good Startup Program is a year-long accelerator designed to support innovative startups with the potential to drive social impact. In alignment with our commitment to diversity in the tech community, we emphasize supporting founders from underrepresented backgrounds.

Solutions and Services

We build software for our customers' essential business operations to free them to focus on what matters most: delivering impact. With powerful data intelligence and expertise inside, and an ever-growing network of partners and developers outside, our software is the foundational infrastructure that expands what is possible for anyone dedicated to purpose-driven work.

We augment our software with a range of payment processing, analytic and business intelligence services, consulting, training and professional services, as well as maintenance and technical support. The Blackbaud portfolio is delivered primarily through cloud solutions tailored to the unique needs of nonprofits and foundations, educational institutions, individual change makers and corporate social impact programs built specifically for fundraising and relationship management, marketing and engagement, financial management, grant and award management, education management, ticketing, social responsibility, payment services and analytics.

Our specific solutions and services include:

Fundraising and Engagement

Blackbaud Raiser's Edge NXT® is our flagship fundraising and relationship management solution. Raiser's Edge NXT is the first and only cloud fundraising and relationship management solution that is all-inclusive, fully integrated with data health, analytics, email marketing, donation forms, event management, payment processing and process automation to create tailored, user-specific experiences. Built on our Blackbaud SKY Platform, Raiser's Edge NXT is, we believe, the most advanced technology available to nonprofits seeking to operate more efficiently and raise more support for their missions. Raiser’s Edge NXT includes access to Blackbaud Online Express™, a simple, efficient, cloud-based fundraising and marketing tool designed for smaller nonprofit organizations.

Blackbaud CRM™ is a comprehensive, configurable fundraising and relationship management solution. It is our lead offering for enterprise-level organizations seeking a powerful, yet adaptable solution for fundraising, marketing and program management across the engagement lifecycle, specializing in supporting sophisticated major giving, membership and high-volume direct marketing programs. Blackbaud CRM helps organizations build deeper and more personalized relationships with constituents, build their brands through online engagement and multichannel communication tools, and more effectively fundraise, leveraging campaign management, business intelligence and analytics. Blackbaud CRM can be sold as an integrated solution with our enterprise online solutions to enable multi-channel marketing, online engagement and event fundraising.

Blackbaud eTapestry® is a simple, cloud fundraising and donor management solution built specifically for smaller, developing nonprofits in need of a cloud solution to support basic fundraising needs. It offers nonprofit organizations a cost-effective way to manage donors, process gifts, create reports, accept online donations and communicate with constituents. This technology provides a system that is simple to maintain, efficient to operate and is intuitively easy to learn without extensive training.

Blackbaud Luminate Online®, delivered in the cloud, helps our customers better understand their online supporters, make the right ask at the right time and raise money online. It includes tools to build online fundraising campaigns as part of an organization's existing website or as a stand-alone fundraising site. Donation forms, gift processing and tools for communicating through web pages and email give our customers the essentials for building sustainable donor relationships.

Blackbaud TeamRaiser® is the industry’s most comprehensive cloud solution designed specifically for peer-to-peer event fundraising. Powering thousands of major events each year, TeamRaiser allows nonprofits’ supporters to create personal or team fundraising web pages and send email donation appeals in support of events such as walks, runs and rides.

JustGiving® from Blackbaud® is one of the world's leading social platforms for giving. JustGiving provides world-class technology and innovative tools to connect people with the causes they care about. By making giving more simple, social and rewarding, this platform helps all causes, charities and people in need to reach more people and raise more money.

Blackbaud Fundraiser Performance Management™ is a multi-pronged solution that combines easy to use data-driven software for fundraisers and managers, predictive modeling insights, and high-touch strategic consulting. Built for higher education institutions, healthcare and large nonprofit organizations, the SaaS tools increase transparency into fundraising performance, and direct fundraiser and talent manager action. Both fundraisers and leaders benefit from the tailored consulting to address weaknesses and enhance strengths to comprehensively improve the fundraising team performance.

Blackbaud Altru® is a cloud solution that helps arts and cultural organizations consolidate admissions, membership, fundraising, merchandise, marketing and more, giving users a comprehensive view of their supporters. By helping general admissions arts and cultural organizations gain a clear, 360-degree view of their organization, it enables them to operate more efficiently, engage and cultivate patrons and supporters, streamline external and internal communication efforts, and reduce IT costs. Blackbaud Altru contains tools for constituent and membership management, program sales, retail sales and ticketing, volunteer management and events management. It also has sophisticated reporting functionality and tools to manage marketing, communications and fundraising.

Blackbaud Guided Fundraising™ and *Blackbaud Volunteer Network Fundraising™* can work together with Fundraiser Performance Management or independently to help higher education institutions meet their advancement targets and development campaign goals. Blackbaud Guided Fundraising is used by institutions seeking to manage all the details behind the sophisticated, person-to-person solicitation strategies that drive fundraising results. Blackbaud Volunteer Network Fundraising helps institutions manage volunteer fundraising campaigns with tools for project management, communication and reporting.

Financial Management

Blackbaud Financial Edge NXT® is the first-of-its-kind cloud accounting solution for nonprofits that is intuitive, fully integrated, and built the way nonprofits need it. Blackbaud Financial Edge NXT is advanced technology with powerful reporting tools to help accounting teams drive transparency, stewardship, and compliance while enabling them to seamlessly manage transactions and eliminate manual processes. It seamlessly integrates with Raiser's Edge NXT to simplify gift entry processing and relates information from both systems in an informative manner to eliminate redundant tasks and manual processes. Financial Edge NXT provides nonprofit organizations with the means to help manage fiscal and fiduciary responsibility, enabling them to be more accountable to their constituents.

Blackbaud Tuition Management™ benefits schools by giving administrators better access to financial data and payment services, and by giving parents more ways to remit tuition payments. The solution helps ease the burden for administrative staff by offering invoicing, payment processing, customer service, enhanced communication with parents and later payer follow-up services.

Blackbaud Financial Aid Management™ offers schools the ability to accept online, customized applications for financial aid and to make better financial aid decisions with a proprietary Hobbies, Interest and Lifestyles ("HIL") profile. The HIL profile provides in-depth information on an applicant, delivering to the school a way to make more informed decisions on how they distribute financial aid awards.

Blackbaud Billing Management™ makes it easy for school administrators to manage tuition and billing processes and for parents to manage their payments to the school. It gives families flexible payment options, provides the school visibility into payments and billing with metrics for supporting cash flow, one view of financial performance, 24/7 bill access on all devices, and removes manual processes from admissions to finance and merchant services.

Grant and Award Management

Blackbaud Grantmaking™ is a modern cloud solution, built on our Blackbaud SKY Platform, that supports the end-to-end grantmaking process from application through review and resolution. Blackbaud Grantmaking provides core functionality to efficiently disperse funds, maintain compliance with due diligence requirements and measure and demonstrate impact. The system has collaborative tools to help strengthen relationships with grantees and other community partners. Coupled with Blackbaud Outcomes™, funders and nonprofits are empowered to collaborate around their intended outcomes and work together to achieve impact. Both the funder and the nonprofit can tell an impact story using ROI-focused results and a common outcomes measurement language.

Blackbaud Award Management™ is a comprehensive, integrated scholarship management platform for higher education and K-12 institutions and foundations, allowing students to apply for all awards using one intuitive and streamlined application process and eliminating many time-consuming administrative tasks. This leads to improved awarding, reporting, compliance, communication and stewardship.

Education Solutions

Blackbaud Student Information System™ makes it easy for schools to manage schedules, transcripts and GPAs. A new Student Information System that works directly with Blackbaud Learning Management System™, Blackbaud Student Information System simplifies the process of sharing student data and academic records securely.

Blackbaud Learning Management System™ is a learning management system that makes it easy to manage, connect, and share information with students, parents, and an entire school community. Developed with direct input from our customers, Blackbaud Learning Management System gives teachers the tools to meet the demands of a modern private school.

Blackbaud Enrollment Management System™ is an enrollment management system that simplifies a school's admissions process. Blackbaud Enrollment Management System helps admissions teams and prospective families manage and track their progress, from inquiry and application through acceptance and enrollment.

Blackbaud School Website System™ is a content management system that gives schools the flexibility to build and edit webpages, with easy access to content types including photos, videos, downloads, text and more. It allows users to share material and contribute content across an entire school community.

Social Responsibility and ESG

YourCause GrantsConnect® and *YourCause CSRconnect®* are cloud solutions for employee giving, volunteering, and grantmaking used to support corporate philanthropy by building meaningful connections between corporations, employees and nonprofits. After implementing YourCause solutions, customers typically show significant growth in volunteers, donations, engagement and more. These reported successes demonstrate a larger trend: overall ability to attract employees and customers alike by strengthening a company's reputation.

EVERFI® from Blackbaud® delivers educational content that transforms what is possible for learners while enabling companies to achieve their social impact and business goals. EVERFI’s robust library of courses connect students with real-world skills to navigate life’s most important challenges, from financial capability to mental wellness — all made possible through the generous support of brands that believe in the lasting results of community investment. Trusted by educators at over 25,000 K-12 schools, EVERFI’s curriculum reaches over 7 million students a year. Thousands of the world’s leading brands have engaged with their communities and achieved their social impact goals by sponsoring EVERFI’s trusted courses to empower students with the knowledge they need to succeed in life.

Payment Services

Our solutions provide our customers payment processing capabilities that enable their donors to make donations and purchase goods and services using numerous payment options, including credit card and automated clearing house (“ACH”) checking transactions, through secure online transactions.

Blackbaud Merchant Services™ is a value-added service integrated with our solutions that makes credit card processing simple and secure. Customers are charged one rate for credit card transactions, making Blackbaud Merchant Services a competitive option. The service also provides customers with a payment card industry (“PCI”) compliant process and streamlined bank reconciliation. We also provide our K-12 private school customers with student tuition payment processing services.

Blackbaud Purchase Cards provide an efficient and convenient alternative to traditional procurement methods and paper-based payables processes such as checks, purchase orders and invoices for travel and operational purchases. Organizations can also set spend controls for individual cardholders, track business expenses across the organization and ensure that policies are being enforced—all managed online and integrated with Blackbaud Financial Edge NXT.

Data Intelligence

Our data intelligence offerings provide solutions for data health, insights and performance, enabling nonprofits to define effective campaign strategies and maximize fundraising results. These services either integrate with or are already integrated into our software solutions to give our customers a comprehensive view of their supporters and the market and provide information essential to making well-informed operating decisions.

Blackbaud’s Intelligence for Good® is our comprehensive strategy to deliver artificial intelligence that is accessible, powerful and responsible. Our artificial intelligence capabilities enable social impact organizations to transform data into insights and outcomes.

Blackbaud's data intelligence solutions and services use data science and AI to turn customer data into valuable insights that inform decision-making and help them achieve their goals efficiently. Blackbaud's data intelligence portfolio consists of three key outcome areas:

Data Health solutions enhance and maintain constituent data so the customer is always working with accurate and up-to-date information. Examples of these solutions include: identifying outdated or invalid constituent addresses in the database and making corrections based on United States Postal Service data and using name and address matching to append additional contact or demographic data points to constituent records to support better segmentation and engagement.

Insights inform strategic decision-making and actions that increase efficiency and drive successful outcomes. Insights are extracted by combining customer data with licensed and proprietary data before leveraging advanced AI capabilities and expertise from Blackbaud’s dedicated team of data scientists. Examples of constituent insights include: predictive modeling that indicates the likelihood and capacity of a constituent making a gift, wealth screening software that uses publicly available records to build detailed wealth profiles of constituents and persona cluster segmentation that groups constituents based on shared traits with guidance for optimizing messaging to each group.

Performance solutions help customers to assess their fundraising performance across donor segments, benchmark themselves against peer organizations and understand industry trends. These solutions provide a holistic view of donor performance that goes beyond standard campaign-based reporting, with key performance indicators related to acquisition, upgrading, retention and reactivation. Customers use our performance solutions to identify areas of weakness and opportunities for improvement, track the donor impact of strategic initiatives, understand and respond to industry trends, set realistic benchmarks and fundraising goals and maintain a consistent reporting methodology to assess growth over time.

Customer Success

Our Customer Success organization is responsible for ensuring our customers achieve their desired outcomes through Blackbaud solutions, starting at onboarding and continuing through the customer lifecycle. Our Customer Success team develops and fosters relationships within all levels of the customer organization to build more demonstrated value in our solutions and services, while helping customers achieve their desired outcomes. Our customer success resources work to proactively communicate to drive overall satisfaction and retention of our customers' business. They work to collect and analyze actionable information, whether that is through direct customer relationships or through aggregated analytics that drives future one-to-one or one-to-many interactions. Their goal is to partner with customers to ensure that they are fully engaged and have an advocate within Blackbaud who works to meet their needs. Customer success resources bring industry knowledge and expertise to the customer relationship and strive to help our customers achieve positive growth and outcomes.

Customer Support

Customer Support provides assistance to customers using Blackbaud Solutions, helping them understand the capabilities of their subscription, including how to navigate their subscription and answering related questions for core concepts of features and functionality. Benefits, such as priority routing or additional support channels, are continuously enhanced. Customers enrolled in the programs enjoy fast, reliable customer support, receive regular software updates, stay up-to-date with regular communication and can leverage a unified customer portal for quick and easy access to these resources. Customers also are empowered with self-help resources such as Knowledgebase articles, user guides, Blackbaud Community, our on-demand library of enablement sessions and have around-the-clock access to support resources for mission-critical needs.

Professional and Managed Services

Our expert consultants, and those in our partner program, provide implementation, optimization, data conversion and customization services for our software solutions. These services include:

- System implementation;
- Data conversion, business process analysis and application customization;
- Database merging and enrichment, and secure credit card transaction processing;
- Database production activities; and
- Website design services;
- Outcome-based and prescriptive services.

In addition, we, and our delivery partners, apply our industry knowledge and experience, combined with expert knowledge of our solutions, to evaluate an organization's needs and consult on how to improve a business process.

Training

We provide a variety of onsite, instructor-led online and on-demand training services to our customers on our solutions and application of best practices. This includes our highly-rated Blackbaud University curriculum. Blackbaud University provides certifications for our products and industry best practices. These certifications serve as important catalysts for professional growth in the nonprofit industry. Our instructors and designers have deep knowledge in the social impact arena and in the use of our solutions. Instructor-led courses are designed to include hands-on lab exercises, as well as course materials with examples and problems to solve.

Customers

Millions of people across more than 100 countries connect, give, learn and engage through Blackbaud platforms. During 2023, we had nearly 100,000 customers that paid Blackbaud through transactional fees and more than 40,000 customers with contractual billing arrangements. Our largest single customer accounted for less than 1% of our 2023 consolidated revenue.

Sales and Marketing

Most of our solutions and related services are sold through our direct sales force. Our direct sales force is complemented by a team of sales development representatives responsible for sales lead generation and qualification. In addition, lead generation is supplemented by our customer success organization via employee-generated sales leads. These sales and customer success professionals are primarily located throughout the United States, the U.K., Canada and Australia. As of December 31, 2023, we had approximately 250 direct sales employees.

Our marketing organization, which includes brand, digital, content, product, event and demand generation marketing and corporate communications, develops and launches multi-channel campaigns designed to create brand recognition and market awareness for our solutions and services.

Our digital demand generation motion focuses on targeted account-based marketing plays, as well as intent-based programs including paid search, retargeting, social and content syndication programs. We supplement the digital motion with our annual user conference, ***bbcon®*** (which was held in November 2023 in-person for the first time since the pandemic), select participation at virtual and in-person third-party trade shows, technical conferences, and technology seminars. We also target publication of our thought leadership content and position our subject matter experts in industry journals and publications. We have a large base of loyal customers and strategic partners that provide references and recommendations often featured in our advertising and promotional activities.

Competition

The market for software and related services targeting philanthropic-focused for-profit and nonprofit organizations is competitive and highly fragmented. For certain areas of the market, entry barriers are low, as general tools for small businesses can usually be configured to manage the most basic marketing, contact management, and accounting needs of social impact organizations. In parallel, as software development evolves from a highly-complex tradecraft with nuanced understanding of architectural patterns and discrete languages, to click-to-code and drag-and-drop development with natively cloud-based infrastructure, it becomes easier for competitors to quickly spin up basic applications to solve common problems. However, once basic needs are met, programs unique to social impact organizations like the stewardship of relationships and partnerships critical to major gift fundraising, community and employee education; the cultivation and management of gifts, grants and K12 digital education sponsorship; the multi-level networking required for peer-to-peer activism and employee engagement; and the sensitive data and reporting behind critical programs run by and for healthcare and education institutions ensure the ongoing need for highly specialized tools. These specialized applications have a higher barrier of entry as they require industry insight to accurately articulate the business workflow that generates the requirements for software products. Moreover, because social impact organizations rely heavily on relationships with and among their supporters, integration of systems drives value beyond mere efficiency. Hence, we believe our insight, the full spectrum of our current solutions and our ability to deliver future solutions make us a strong competitor. We expect to continue to see new entrants as focus on social investment solutions increases to satisfy Millennial and Gen Z donors, customers and employees, the barriers of entry continue to decline with natively cloud solutions and social impact organizations more readily require digital transformation of business processes and data-driven decision making.

Our competition falls into four primary categories:

- *Niche products* are usually developed as a solution for a single problem at an organization and are adopted by similar organizations to solve a specialized need. These are typically offered by vendors who may have deep industry expertise but may not have the resources to expand beyond a specialized area. We believe we compete against these solutions by offering a set of integrated solutions rather than a single point solution, which we believe improves the overall customer experience. In addition, our open platform allows integration to specialized applications so the opportunity for disruption from these competitors is minimized.

- *Vertical-specific solutions* are offered by competitors seeking to meet the enterprise-wide needs of a specific sub-segment of the social impact community. Typically, these solutions are offered by vendors who may offer either a point solution or integrated suite of products used by a vertical. We believe we compete successfully against these competitors through a combination of our integrated suite of offerings and nationwide community networks within verticals where we compete, offering solutions with market leading robustness and reporting as well as the scale, reach, and reputation of our organization.
- *General business software vendors*, such as Microsoft, Oracle and Salesforce.com, compete with us in certain areas of our business. While there is a growing trend toward social investment that is prompting philanthropic solutions from these general business vendors, most do not have a complete nonprofit specific focus and, therefore, do not offer, or to our knowledge do not intend to offer, nonprofit-specific versions. However, there is a subset of general business software competitors who have introduced nonprofit-specific versions of their products. These products generally do not satisfy the needs of nonprofits from end-to-end as they were not designed to support the specific needs of nonprofits during the original architecture, design, and requirements elicitation phases; therefore, we believe that because these products were not originally designed for nonprofits, they are not yet fully capable of meeting market needs without significant customization. The significant customization required to transform general business products into nonprofit solutions often requires the use of consultants to guide the implementation, without which, leave the adoption of general business software limited to very basic operations and simple needs. We believe our solutions compete successfully against general business software as a nonprofit’s needs grow more complex. As a result, we believe we can compete successfully to meet nonprofit-specific requirements, often integrating with general business platforms used for their more generalized operations.
- *Consumer-oriented fundraising platforms*, such as GoFundMe and Facebook compete with our business where consumers raise funds directly. To drive adoption of their platforms, these vendors rely on a combination of direct-to-consumer marketing, marketing to nonprofits who in turn market to their supporters, and marketing to intermediate entities such as an event sponsor who will market to participants. We believe we compete well in this market through a combination of positive brand recognition among all three of these groups and the combination of our consumer- and organization-oriented tools relative to those of the competition.

Less frequently, we compete with providers of traditional, non-automated fundraising service providers, including parties providing services in support of traditional direct mail or email campaigns, special events fundraising, peer-to-peer, telemarketing and personal solicitations. We believe we compete successfully against these traditional fundraising service providers, primarily because our solutions and services are more automated, more robust, more tailored to the needs of nonprofit organizations and more efficient.

Technology and Architecture

Our technology strategy consists of several key building blocks including cloud operations, developer tools, data intelligence and core services. We leverage multiple clouds in our architectures (including AWS and Azure) and have both single and multi-tenant solutions. The best-in-class infrastructure enables rapid innovation with high levels of reliability, availability and security, and lets Blackbaud evolve services over time at independent paces as tech trends and tools emerge. Blackbaud also provides a toolset for customers, partners, and developers to extend the Blackbaud SKY ecosystem. SKY API enables developers to augment Blackbaud solutions with industry-standard REST APIs, standards-based authentication protocols, and a best-in-class developer experience. SKY UX allows developers to create applications with the same consistent, cohesive user interface as Blackbaud’s native solutions using an open-source framework that implements Blackbaud design patterns and provides guidelines and tooling for the entire application lifecycle.

The development strategy for all Blackbaud cloud solutions emphasizes:

- *Flexibility*: Customers and partners can extend our component-based architecture to accommodate changing demands without modifying source code.
- *Adaptability*: The architecture of our applications allows us to easily add functionality or integrate with third-party applications to adapt to customer needs and market demands.
- *Scalability*: Scalable architecture and the performance, capacity and load balancing of our customers' industry-standard web servers and databases ensure that applications can scale to meet the needs of large organizations.

Intellectual Property and Other Proprietary Rights

To protect our intellectual property, we rely on a combination of patent, trademark, copyright and trade secret laws in various jurisdictions, as well as employee and third-party nondisclosure agreements and confidentiality procedures. We maintain many trademarks, including, but not limited to "Blackbaud," "Raiser's Edge NXT" and "Luminate." We currently have two active patents on our technology and have one pending patent application.

Human Capital Resources

As of December 31, 2023, we had approximately 3,000 employees, none of whom are represented by unions or are covered by collective bargaining agreements. We are not involved in any material disputes with any of our employees, and we believe that relations with our employees are strong.

We benefit from an engaged and driven employee base motivated to join the Company by our work to support organizations and individuals driving social impact. Our purpose attracts and retains talented, competitive applicants, with approximately 90% of employees citing the fact that Blackbaud operates in a socially responsible manner is important to them. This differentiator not only builds strong employee engagement, but also helps us provide a higher level of service to our customers. With over 70% of employees volunteering with nonprofits annually and one in seven serving on a nonprofit board or committee, our direct experience enables our teams to better serve our customer base.

Blackbaud also attracts and promotes talented employees through effective and targeted recruiting strategies. In 2020, Blackbaud announced the launch of a temporary workforce strategy, allowing employees to work from home or other geographic locations within the country to further support their overall well-being during the COVID-19 pandemic. In 2021, we formally rolled out our Remote First Work-strategy as a company which expanded our pool of qualified applicants for roles and internal career progression and enabled Blackbaud's goal to attract and develop talent globally.

Employee engagement is a focus at Blackbaud, and we continually work to understand what matters and to make our workplace better to attract, develop, and retain talent. Every manager at Blackbaud is required to take a multi-course "Engagement Labs" training designed to equip them with the practical skills to ensure their teams are highly engaged. We assess and measure progress on engagement and growth opportunities at the individual level through quarterly check-ins focused on impact and learnings, as well as through a global career framework that guides employee progression on both management and individual contributor career paths. We also assess engagement on the team and company level through regular employee surveys as well as "Ask Anything" sessions with senior leaders and dedicated Q&A sessions during our global, company-wide Connect and Engage meetings. We enable employees to have opportunities for career development through on-demand and company-led trainings in our Learning Management System platform: DevelopU.

Our compensation framework is designed so that employees are compensated equitably and competitively, including through base salary, variable pay, equity award opportunities and comprehensive benefit offerings. We also seek to support the whole person, through increased benefits and focus on overall well-being.

Ultimately, we believe that Blackbaud is an excellent place to work because we are energized by our opportunity to fuel social impact and committed to running our business in a way that amplifies the difference we make in the world. We govern our business ethically and contribute to causes and communities that matter to our employees through corporate philanthropy. We pursue sustainability, and we work every day to ensure our workplace is supportive, inclusive and engaging.

We offer an array of philanthropy programs aimed at engaging our employees as agents of good, including matching gifts, competitive grants that honor noteworthy examples of volunteerism, employee-led grant committees, skills-based volunteerism initiatives, as well as science, technology, engineering and mathematics (STEM) focused community programs.

Our commitment to inclusion and sustainability supports our efforts to attract, develop and retain a high-performing employee base. In 2023, we brought together the talent acquisition team with Inclusion and Corporate Social Responsibility teams under one leader within People and Culture. The company believes that it is essential to foster inclusion from the moment a candidate considers Blackbaud. This alignment continues our focus to amplify and accelerate the significant initiatives already in place at Blackbaud, including: a focus on allyship, mentoring and affinity groups. We have 11 employee-led affinity groups, including, but not limited to those that represent veterans, LGBTQ+, women in technology, women in sales, Black employees, those interested in sustainability and those with a disability.

We believe we have a responsibility to act in the fight against climate change—it is both the right thing to do and necessary to ensure the future stability of our business and customers. For these reasons, Blackbaud takes proactive measures to protect the environment, both in our internal sustainable business practices and our external engagements. As we did in 2021 and 2022, in 2023 we plan to achieve carbon neutrality across our business operations. We are committed to our continued efforts to reduce our emissions footprint and provide transparent annual social responsibility and sustainability reporting.

Blackbaud was recognized by Newsweek as one of America's Most Responsible Companies 2024, Built In's Best Places to Work, Forbes' list of America's Best Employers 2023 and won Governance Team of the Year for small to mid-cap companies in Governance Intelligence's annual Corporate Governance Awards.

Additional information related to our human capital strategy can be found in our 2022 ESG Report which is available on the Corporate Social Responsibility section of our website. Information contained on or accessible through our websites is not incorporated into, and does not form a part of, this Annual Report or any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Seasonality

For a discussion of seasonal variations in our business, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations — Seasonality” in Item 7 in this report.

Working Capital

For a discussion of our working capital practices, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations — Liquidity and Capital Resources” in Item 7 in this report.

Available Information

Our website address is www.blackbaud.com. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC, but other information on our website is not incorporated into this report. The SEC maintains an Internet site that contains these reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Information About Our Executive Officers

The following table sets forth information concerning our executive officers as of February 15, 2024:

Name	Age	Title
Michael P. Gianoni	63	Chief Executive Officer, President and Vice Chairman of the Board
Anthony W. Boor	61	Executive Vice President and Chief Financial Officer
David J. Benjamin	52	Executive Vice President and Chief Commercial Officer
Kevin P. Gregoire	56	Executive Vice President and Chief Operating Officer
Kevin R. McDearis	56	Executive Vice President and Chief Technology Officer
Jon W. Olson	60	Senior Vice President and General Counsel

Michael P. Gianoni joined us as Chief Executive Officer and President in January 2014 and was appointed Vice Chairman of the Board in January 2024. Prior to joining us, he served as Executive Vice President and Group President, Financial Institutions at Fiserv, Inc., a global technology provider serving the financial services industry, from January 2010 to December 2013. He joined Fiserv as President of its Investment Services division in December 2007. Mr. Gianoni was Executive Vice President and General Manager of CheckFree Investment Services, which provided investment management solutions to financial services organizations, from June 2006 until December 2007 when CheckFree was acquired by Fiserv. From May 1994 to November 2005, he served as Senior Vice President of DST Systems Inc., a global provider of technology-based service solutions. Mr. Gianoni is a member of the Board of Directors of Teradata Corporation, a publicly traded global big data analytics company, and has been Chairman of the Board since February 2020. Mr. Gianoni has served on several nonprofit boards across several segments, including relief organizations, hospitals and higher education. He currently is a board member of the International African American Museum and a member of the President's Advisory Group at the Medical University of South Carolina. He holds an AS in electrical engineering from Waterbury State Technical College, a BS with a business concentration from Charter Oak State College, and an MBA and an honorary Doctorate from the University of New Haven.

Anthony W. Boor joined us as Executive Vice President and Chief Financial Officer in November 2011 and served as our interim President and Chief Executive Officer from August 2013 to January 2014. Prior to joining us, he served as an executive with Brightpoint, Inc., a global provider of device lifecycle services to the wireless industry, beginning in 1999, most recently as its Executive Vice President, Chief Financial Officer and Treasurer. He also served as the interim President of Europe, Middle East and Africa during Brightpoint's significant restructuring of that region. Mr. Boor served as Director of Business Operations for Brightpoint North America from August 1998 to July 1999. Prior to joining Brightpoint, Mr. Boor was employed in various financial positions with Macmillan Computer Publishing, Inc., a Viacom owned book publishing company specializing in computer hardware and software related topics, Day Dream Publishing, Inc., a publishing company specializing in calendars, posters and time management materials, Ernst & Young LLP, an accounting firm, Expo New Mexico, a state-owned fair and expo grounds and live pari-mutual horse racing venue, KPMG LLP, an accounting firm, and Ernst & Whinney LLP, an accounting firm. He holds a BS in Accounting from New Mexico State University.

David J. Benjamin has served as our Executive Vice President and Chief Commercial Officer since July 2022. He joined us as Executive Vice President and President, International Markets Group in April 2018. Prior to joining us, Mr. Benjamin was Senior Vice President and General Manager at Box, a cloud content management platform for businesses, from October 2016 to March 2022. Prior to that, he was Vice President of Global Services at British Telecom, a multinational telecommunications holding company, from October 2007 to September 2016. Prior to that, he was at Guardian Media Group, a mass media company owning various media operations company, where he served as Divisional Chief Operating Officer, among other leadership roles, from June 1995 to September 2007. He holds a BA in European Business from London Metropolitan University and an MBA from The Manchester Metropolitan University.

Kevin P. Gregoire has served as our Executive Vice President and Chief Operating Officer since July 2022. Prior to that, he was the Executive Vice President and President of U.S. Markets since April 2021. He joined us as Executive Vice President and President, Enterprise Markets Group in April 2018. Prior to joining us, Mr. Gregoire was Group President of the Financial Institutions Group at Fiserv, a global technology provider serving the financial services industry, from March 2014 until February 2018. He joined Fiserv in December 2002 and served in other key leadership roles including Division President and Chief Operating Officer, Card Services, and Senior Vice President of Product and Network Strategy. Mr. Gregoire is also a veteran of the United States Army, where he served as Lieutenant in the Corps of Engineers and was awarded three Army Commendation Medals. He holds a BS from the United States Military Academy at West Point, and an MBA from the F.W. Olin School of Business at Babson College.

Kevin R. McDearis has served as our Executive Vice President and Chief Technology Officer since October 2016 and is responsible for the company’s global product and technology portfolio, including cybersecurity. He joined us in August 2014 as our Senior Vice President of Global Product Development. Prior to joining us, Mr. McDearis was the Chief Information Officer at Manhattan Associates, Inc., a technology leader in supply chain and omnichannel commerce, from August 2012 to July 2014. He was responsible for leading a global IT organization in strategy development, organization development, portfolio and project management, software and infrastructure engineering, service delivery and operations. Prior to that, Mr. McDearis served as Chief Technology Officer for the Enterprise Technology Group and other key leadership positions at Fiserv (formerly CheckFree), a global technology provider serving the financial services industry, from October 1996 to August 2012. Mr. McDearis serves on the Board of Directors for the USS Yorktown Foundation. He also served on the Board of Directors of the Technology Association of Georgia from 2011 to 2016 and as Vice Chairman of the Board in 2014. He holds a BS in Management from The Georgia Institute of Technology.

Jon W. Olson joined us as Senior Vice President and General Counsel in September 2008. Mr. Olson is responsible for Blackbaud's legal activities. Prior to joining us, he was an attorney with Alcatel-Lucent USA, the U.S. subsidiary of Alcatel-Lucent (now owned by Nokia Corporation) that designs, develops, and builds wireline, wireless, and converged communications networks, from July 1997 to September 2008. Prior to joining Alcatel-Lucent, Mr. Olson was employed in legal positions with MCI, Inc., a global business and residential communications company, from September 1996 to July 1997, and Unisys Corporation, a global information technology company, from July 1992 to September 1996. Mr. Olson is a member of the MUSC (Medical University of South Carolina) Hollings Cancer Center Advisory Board and is on the board of Charleston Jazz. He holds a BS from Georgetown University, a JD from Dickinson School of Law and an MBA from Seton Hall University.

ITEM 1A. RISK FACTORS

Our business operations face a number of risks. These risks should be read and considered with other information provided in this report.

Strategic Risks

Our failure to compete successfully, including through technology innovations or new and improved solutions, could cause our revenue or market share to decline.

Our market is highly competitive and rapidly evolving, and there are limited barriers to entry for many segments of this market. The companies we compete with and other potential competitors may have greater financial, technical and marketing resources, generate greater revenue and have better name recognition than we do. Also, a large, diversified software enterprise could decide to enter the market directly, including through acquisitions. Competitive pressures can adversely impact our business by limiting the prices we can charge our customers and making the adoption and renewal of our solutions more difficult. Our competitors might also establish or strengthen cooperative relationships with resellers and third-party consulting firms or other parties with whom we have had relationships, thereby limiting our ability to promote our solutions. These competitive pressures could cause our revenue and market share to decline.

In addition, the introduction of solutions encompassing new technologies can render existing solutions obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to continue to enhance existing solutions and develop and introduce in a timely manner or acquire new solutions that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. If we are unable to develop or acquire on a timely and cost-effective basis new software solutions or enhancements to existing solutions or if such new solutions or enhancements do not achieve market acceptance, we may be unable to compete successfully and our business, results of operations and financial condition may be materially adversely affected.

Because competition for highly qualified personnel is intense, we might not be able to attract and retain key personnel needed to support our planned growth.

To meet our objectives successfully, we must attract and retain highly qualified personnel with specialized skill sets. If we are unable to attract and retain suitably qualified management, there could be a material adverse impact on our business.

Further, we use equity incentive programs and equity awards in lieu of cash as part of our overall employee compensation agreements to both attract and retain personnel. A decline in our stock price could negatively impact the value of these equity incentive and related compensation programs as retention and recruiting tools. We may need to create new or additional equity incentive programs and/or compensation packages to remain competitive, which could be dilutive to our existing stockholders and/or adversely affect our results of operations.

The market for software and services for the social impact community might not grow and the organizations in that community might not continue to adopt, or renew their subscriptions for, our solutions and services.

Many organizations in the social impact community, including nonprofits, foundations, companies, education institutions, and healthcare organizations, have not traditionally used integrated and comprehensive software and services for their specific needs. We cannot be certain that the market for such solutions and services will continue to develop and grow or that these organizations will elect to adopt our solutions and services rather than continue to use traditional, less automated methods, attempt to develop software internally, rely upon legacy software systems, or use software solutions not specifically designed for this market. Organizations that have already invested substantial resources in other fundraising methods or other non-integrated software solutions might be reluctant to adopt our solutions and services to supplement or replace their existing systems or methods. In addition, the implementation of one or more of our software solutions can involve significant capital commitments by our customers, which they may be unwilling or unable to make. If demand for and market acceptance of our solutions and services does not increase, we might not grow our business as we expect.

Furthermore, our subscription arrangements are generally for a term of three years at contract inception with three-year renewals thereafter. Our maintenance arrangement renewals are generally for a term of three years. As the end of the contract term approaches, we seek the renewal of the agreement with the customer. Historically, subscription and maintenance renewals have represented a significant portion of our total revenue. Because of this characteristic of our business, if our customers choose not to renew their subscriptions or maintenance arrangements with us on beneficial terms or at all, our business, operating results and financial condition could be harmed. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our solutions and services and their ability to continue their operations and spending levels due to general economic conditions, extraordinary business interruptions, client-specific financial issues or otherwise.

We are incorporating generative artificial intelligence, or AI, technology into certain of our products and services. This technology is new and developing, and while we aim to adopt known best practices, it may result in operational, financial and reputational harm and other adverse consequences to our business.

We are implementing AI features in certain of our products and services. The technologies underpinning these features are in the early stages of commercial use and exist in an emerging regulatory environment, which presents regulatory, litigation, ethical, reputational, operational and financial risks. Many U.S. and international governmental bodies and regulators have proposed, or are in the process of developing, new regulations related to the use of AI and machine learning technologies. The final form of these may impose obligations related to our development, offering and use of AI technologies and expose us to increased risk of regulatory enforcement and litigation. We also expect that many of our generative AI features will include the processing of personal data and may be subject to laws, policies, legal obligations and codes of conduct related to privacy and data protection. There is uncertainty about the extent to which privacy and data protection laws apply to AI technologies, and any delay in addressing privacy or data protection concerns relating to our AI features may result in liability or regulatory investigations and fines, as well as harm to our sales and reputation. In addition, issues relating to intellectual property rights in AI-generated content have not been fully addressed by the courts, laws or regulations. Accordingly, the implementation of generative AI technologies into our products and services may result in exposure to claims related to copyright infringement or other intellectual property misappropriation.

Furthermore, many of our AI features may rely on third-party service providers. As such, any improper processing of personal data by these service providers could harm our reputation, business or customers, or expose us to legal liability. Any disruption or failure in our AI systems or infrastructure could result in delays or errors in our operations, which could harm our business and financial results.

Our generative AI technology features may also generate output that is misleading, insecure, inaccurate, harmful or otherwise flawed, which may harm our reputation, business or customers, or expose us to legal liability. Also, some AI scenarios present ethical issues. If we enable or offer AI solutions that are controversial because of their purported or actual impact on human rights, privacy, employment or other social issues, we may experience reputational harm.

New and emerging AI technologies may require additional investment in the development and maintenance of various models, approaches and processes, as well as development of protections and safeguards for the use of AI technologies, which may be expensive and could impact our financial results if we decide to further expand generative AI into our products and services. Likewise, the use of AI involves significant technical complexity and requires specialized expertise. The success of any enhancement or new product depends on many factors, including its relevance to our customers, timely implementation and market acceptance. If our enhanced products and services do not achieve widespread market adoption or there is a reduction in demand due to a lack of customer acceptance, technology challenges, strengthening competition, weakening economic conditions, or security or privacy concerns, our business could be harmed and our financial results could be adversely affected.

Although we aim to develop and use AI responsibly and attempt to identify and mitigate ethical and legal issues presented by its use, we may be unsuccessful in identifying or resolving issues before they arise.

If we do not successfully address the risks inherent in the expansion of our international operations, our business could suffer.

We currently have non-U.S. operations primarily in the U.K., Canada, Australia and Costa Rica, and we intend to expand further into international markets. Expansion of our international operations will require a significant amount of attention from our management and substantial financial resources and might require us to add qualified management in these markets. Our direct sales model requires us to attract, retain and manage qualified sales personnel capable of selling into markets outside the United States. In some cases, our costs of sales might increase if our customers require us to sell through local distributors. If we are unable to grow our international operations in a cost-effective and timely manner, our business and operating results could be harmed.

Increases in our international revenues denominated in foreign currencies subject us to fluctuations in foreign currency exchange rates. If we expand our international operations, exposures to gains and losses on foreign currency transactions may increase. (See Foreign Currency Exchange Rates on page 59 for more information regarding the impact of foreign currency exchange rates on our operations.)

Doing business internationally involves additional risks that could harm our operating results. Along with risks similar to those faced by our U.S. operations, our international operations are also subject to risks related to differing legal, political, social and regulatory requirements and economic conditions, including:

- the imposition of additional withholding taxes or other tax on our foreign income, tariffs or restrictions on foreign trade or investment, including currency exchange controls;
- greater risk of a failure of our employees and partners to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010, and any trade regulations ensuring fair trade practices;
- the imposition of, or unexpected adverse changes in, foreign laws or regulatory requirements, including those pertaining to export restrictions, privacy and data protection, trade and employment restrictions and intellectual protections; and
- general business disruptions caused by geopolitical situations and developments.

Unfavorable media coverage related to peer-to-peer fundraising campaigns on our social platforms could negatively impact our business.

Our online social giving platforms receive a high degree of media coverage for particularly news-worthy or controversial fundraising campaigns, as well as for our fee-based business model. Although our terms of service provide express limitations on the platforms' user-initiated fundraising campaigns and reserve our right to remove content that violates our terms of service, it may not always be possible to remove such content prior to it receiving attention in the media. Negative publicity related to our online social giving platforms could have an adverse effect on the size, engagement and loyalty of our user base and could result in decreased revenue, which could adversely affect our business and financial results.

Acquisitions could be difficult to consummate and integrate into our operations, and they could disrupt our business, dilute stockholder value or impair our financial results.

As part of our business strategy, we, from time to time, seek to grow our business through acquisitions of new or complementary businesses, technologies or products that we believe can improve our ability to compete in our existing customer markets or allow us to enter new markets. The potential risks associated with acquisitions and investment transactions include, but are not limited to:

- failure to realize anticipated returns on investment, cost savings and synergies;
- difficulty in assimilating the operations, policies and personnel of the acquired company;
- unanticipated costs associated with acquisitions;

- challenges in combining product offerings and entering into new markets in which we may not have experience;
- distraction of management's attention from normal business operations;
- potential loss of key employees of the acquired company;
- difficulty implementing effective internal controls over financial reporting, disclosure controls and procedures and cybersecurity and data protection procedures;
- impairment of relationships with customers or suppliers; and
- issues not discovered in due diligence, which may include product quality issues or legal or other contingencies.

For example, following our acquisition of EVERFI, Inc. (as further described in Note 3 to our consolidate financial statements in this report) we experienced the loss of certain employees and unexpected delays in realizing anticipated returns on our investment.

Acquisitions, including for example our acquisition of EVERFI, Inc., may also result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the expenditure of available cash, and amortization expenses or write-downs related to intangible assets such as goodwill, any of which could have a material adverse effect on our operating results or financial condition. We may experience risks relating to the challenges and costs of closing a business combination and the risk that an announced business combination may not close. There can be no assurance that we will be successful in making additional acquisitions in the future or in integrating or executing on our business plan for existing or future acquisitions.

A reduction in the growth or amount of charitable giving due to deteriorating general economic conditions, a recession or otherwise could adversely affect our operating results and financial condition.

A large percentage of our customers are nonprofits, foundations, education institutions, healthcare organizations and other members of the social impact community that fully or partially rely on charitable donations. If charitable giving, including online giving, does not continue to grow or declines, it could limit our current and potential customers' ability to use and pay for our solutions and services, which could adversely affect our operating results and financial condition.

In addition, we derive a significant portion of our revenue from transaction-based payment processing fees that we collect from our customers through our Blackbaud Merchant Services solution, which enables our customers' donors to make donations and purchase goods and services using various payment options. A reduction in the growth of, or a decline in, charitable giving to these customers, whether due to deteriorating general economic conditions, the impact of past or future changes to applicable tax laws, or otherwise, could negatively impact the volume and size of such payment processing transactions and thereby adversely affect our operating results and financial condition.

Our failure to obtain licenses for, or our use of, third-party technologies could harm our business.

We expect to continue licensing technologies from third parties, including applications used in our research and development activities, technologies that are integrated into our solutions and solutions that we resell. We believe that the loss of any third-party technologies currently integrated into our solutions could have a material adverse effect on our business. Our inability in the future to obtain any third-party licenses on commercially reasonable terms, or at all, could delay future solution development until equivalent technology can be identified, licensed or developed and integrated. This inability in turn could harm our business and operating results.

Our use of third-party technologies also exposes us to increased risks including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs.

Operational Risks

Breaches of our software, our failure to securely collect, store and transmit customer information, or our failure to safeguard confidential donor data, including, for example, the Security Incident described below, exposes us to liability, litigation, government investigations, penalties and remedial costs and our reputation and business could suffer.

Fundamental to the use of our solutions is the secure collection, storage and transmission of confidential donor, customer and end user data, personally identifiable information and transaction data, including in our payment services. Despite the network, application and physical security procedures and internal control measures we employ to safeguard our systems, we have been, and in the future may be, vulnerable to a security breach, intrusion, loss or theft of confidential donor data and transaction data, which has in the past harmed and may in the future harm our business, reputation and future financial results. Furthermore, our reliance on remote access to information systems increases our exposure to potential cybersecurity incidents.

Like virtually all major businesses, we are, from time to time, a target of cyberattacks, such as the Security Incident (as described below and in Note 11 to our consolidated financial statements in this report), information systems interruptions, phishing, social engineering schemes and other systems disruptions. We expect these threats to continue, some of which have been, and in the future may be, successful to varying degrees. Because the numerous and evolving cybersecurity threats used to obtain unauthorized access, disable, degrade or sabotage systems have become increasingly more complex and sophisticated, it may be difficult to anticipate these acts or to detect them for periods of time, as with the Security Incident, and we may be unable to respond adequately or timely. As these threats continue to evolve and increase, we have already devoted and expect to continue to devote significant resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities.

A compromise of our data security, such as the Security Incident, that results in customer or customer constituent personal or payment card data being obtained by unauthorized persons could adversely affect our reputation with our customers and others, as well as our operations, results of operations, financial condition and liquidity and has resulted in, and could in the future result in, litigation against us, government investigations or the imposition of fines and penalties. (See Note 11 to our consolidated financial statements in this report for information regarding litigation, government investigations, fines and penalties related to the Security Incident.) We have been, and in the future might be, required to expend significant additional capital and other resources to rectify problems caused by a security breach, including notification under data privacy laws and regulations, and incur expenses related to remediating our information security systems.

Even though we may carry cyber-technology insurance policies that provide insurance coverage under certain circumstances, we have in the past suffered losses and may in the future suffer losses as a result of a security breach that exceed the coverage available under our insurance policies or for which we do not have coverage. (See Note 11 to our consolidated financial statements in this report for expense and insurance coverage information related to the Security Incident.) Furthermore, in the future such insurance may not be available on commercially reasonable terms, or at all. A security breach and any efforts we make to address such breach could also result in a disruption of our operations, particularly our online sales operations.

The occurrence of actual cyber security events, such as the Security Incident, could magnify the severity of the adverse effects of future incidents on our business. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information systems can be difficult to detect for long periods of time and can involve difficult or prolonged assessment or remediation periods even once detected. We, therefore, cannot assure you that all potential causes of past significant incidents, including the Security Incident, have been fully identified and remediated. The steps we take may not be sufficient to prevent future significant incidents and, as a result, such incidents may occur again.

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

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

To date, we have received approximately 260 specific requests for reimbursement of expenses, approximately 214 (or 82%) of which have been fully resolved and closed and approximately 39 (or 15%) are inactive and are considered by us to have been abandoned by the customers. We have also received approximately 400 reservations of the right to seek expense recovery in the future from customers or their attorneys in the U.S., U.K. and Canada related to the Security Incident, none of which resulted in claims submitted to us and are considered by us to have been abandoned by the customers. We have also received notices of proposed claims on behalf of a number of U.K. data subjects, which we are reviewing. In addition, insurance companies representing various customers' interests through subrogation claims have contacted us, and certain insurance companies have filed subrogation claims in court, of which 3 cases remain active and unresolved. Customer and insurer subrogation claims generally seek reimbursement of their costs and expenses associated with notifying their own customers of the Security Incident and taking steps to assure that personal information has not been compromised as a result of the Security Incident. In addition, presently, we are a defendant in putative consumer class action cases in U.S. federal courts (most of which have been consolidated under multi district litigation to a single federal court) and in Canadian courts alleging harm from the Security Incident. The plaintiffs in these cases, who generally purport to represent various classes of individual constituents of our customers, generally claim to have been harmed by alleged actions and/or omissions by us in connection with the Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys' fees, and other related relief. We have received a Civil Investigative Demand from the office of the California Attorney General relating to the Security Incident. In addition, we are subject to pending governmental actions or investigations by the U.S. Federal Trade Commission, the U.S. Department of Health and Human Services, the Office of the Australian Information Commissioner and the Office of the Privacy Commissioner of Canada. (See Note 11 to our consolidated financial statements included in this report for a more detailed description of the Security Incident and related matters.)

On March 9, 2023, the Company reached a settlement with the SEC in connection with the Security Incident. This settlement fully resolves the previously disclosed SEC investigation of the Security Incident and is further described in the SEC Order. Under the terms of the SEC Order, the Company agreed to cease-and-desist from committing or causing any violations or any future violations of Sections 17(a)(2) and (3) of the Securities Act and Section 13(a) of the Exchange Act, and Rules 12b-20, 13a-13 and 13a-15(a) thereunder. As part of the SEC Order, the Company also agreed to pay, and has paid, a civil penalty in the amount of $3.0 million.

On October 5, 2023, the Company reached a settlement with each of 49 state Attorneys General and the District of Columbia in connection with the Security Incident. This settlement fully resolves the previously disclosed multi-state Civil Investigative Demand and the separate Civil Investigative Demand from the Office of the Indiana Attorney General relating to the Security Incident, which is further described in the substantially similar Administrative Orders filed in each of the 49 states and the District of Columbia. Under the terms of the Administrative Orders, we have agreed: (i) to comply with state consumer protection laws, data breach notification laws, and HIPAA; (ii) not to make misleading misrepresentations to our customers or the individuals whose data is stored by us concerning (a) the extent to which we protect the privacy, security, confidentiality, or integrity of certain data, (b) the likelihood that data impacted by a security incident may be subject to unauthorized access, disclosure, or other misuse, or (c) the data breach notification requirements; and (iii) to implement and improve certain cybersecurity programs and tools. As part of the Administrative Orders, we also agreed to pay, and have paid, a total of $49.5 million to the 49 states and District of Columbia. We paid the full settlement amount to each state and the District of Columbia during the fourth quarter of 2023 from our existing liquidity. This amount was fully accrued as a contingent liability in our financial statements as of June 30, 2023. We entered into the Administrative Orders without admitting fault of liability in connection with the matters subject to the Multistate Investigation. The form of Administrative Order was furnished as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2023.

As previously disclosed, on February 1, 2024, the FTC announced its approval of an Agreement Containing Consent Order (the "Proposed Order") evidencing its settlement with the Company in connection with the Security Incident. Pursuant to its rules, the FTC placed the Proposed Order and related draft complaint on the public record for a period of 30 days for the receipt of public comments after which the FTC will consider any comments received from interested persons prior to determining whether and in what form to finalize the Proposed Order. The 30-day comment period is scheduled to expire on March 14, 2024. As part of the FTC's proposed order, the Company has not been fined and is not otherwise required to make any payment. Furthermore, the Company has agreed to the FTC's proposed order without admitting or denying any of the FTC's allegations, except as expressly stated otherwise in the Proposed Order. If finalized, the settlement described in the Proposed Order will fully resolve the FTC investigation. Although we believe the Proposed Order will be finalized in substantially its current form, there can be no assurances as to whether that will occur or its timing. Under the terms of the Proposed Order, we have agreed (i) to not misrepresent (a) the extent to which we maintain, use, delete or disclose certain customer information, (b) the extent to which we protect the privacy, security, availability, confidentiality or integrity of such information or (c) the extent of any security incident or unauthorized disclosure, misuse, loss, theft, alteration, destruction or other compromise of such information, and (ii) to delete certain data, adopt and make public certain record retention limits, establish, implement and maintain a specified information security program, obtain regular independent assessments of the mandated information security program, provide to the FTC specified certifications regarding our compliance with the Proposed Order, provide to the FTC reports of any future security incidents and create and maintain specified recordkeeping. The form of Proposed Order was furnished as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the SEC on February 2, 2024.

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

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

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

Significant management time and Company resources have been, and are expected to continue to be, devoted to the Security Incident. For example, for full year 2023, we incurred net pre-tax expenses of $53.4 million related to the Security Incident, which included $22.4 million for ongoing legal fees and $31.0 million for settlements and recorded liabilities for loss contingencies. During 2023, we had net cash outlays of $78.0 million related to the Security Incident, which included ongoing legal fees, the $3.0 million civil penalty paid during the first quarter of 2023 related to the SEC settlement and the $49.5 million civil penalty paid during the fourth quarter of 2023 related to the Multistate Investigation (as discussed in Note 11). Although we carry insurance against certain losses related to the Security Incident, we exceeded the limit of that insurance coverage in the first quarter of 2022. As a result, we will be responsible for all expenses or other losses (including penalties, fines or other judgments) or all types of claims that may arise in connection with the Security Incident, which could materially and adversely affect our liquidity and results of operations. (See Note 11 to our consolidated financial statements included in this report.) If any such fines or penalties were great enough that we could not pay them through funds generated from operating activities and/or cause a default under the 2020 Credit Facility, we may be forced to renegotiate or obtain a waiver under the 2020 Credit Facility and/or seek additional debt or equity financing. Such renegotiation or financing may not be available on acceptable terms, or at all. In these circumstances, if we were unable to obtain sufficient financing, we may not be able to meet our obligations as they come due.

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

Climate change and other natural disasters, new regulations and standards and climate-related goals have impacted, and may in the future impact, our operations and financial performance.

The long-term effects of climate change on the global economy and our industry may impact our business operations and those of our suppliers, customers and partners. Climate change increases the severity and frequency of extreme weather events such as hurricanes, wildfires, floods, heat waves, or power shortages, all of which could lead to business disruptions. The locations of our principal executive offices and our data centers are vulnerable to the effects of climate events and other natural disasters, including hurricanes, heat waves and earthquakes, which we have experienced in the past. In addition, the effects of climate change are harder to mitigate for our remote-first workforce, which exposes the Company to business disruption. Even though we carry business interruption insurance policies and typically have provisions in our commercial contracts that protect us in certain events, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which we do not have coverage. Any natural disaster or catastrophic event affecting us could have a significant negative impact on our operations.

Expected new regulations and standards relating to public disclosure, including those related to climate change, could adversely impose significant costs on us to comply with such regulations.

Finally, a failure to meet our climate-related goals, such as our commitment and progress towards reduction of greenhouse gas emissions, could damage our reputation, affect our financial performance and impact our ability to attract and retain talent.

Defects, delays or interruptions in our cloud solutions and hosting services could diminish demand for these services and subject us to substantial liability.

We currently utilize data center hosting facilities to provide cloud solutions to a significant number of our subscription customers and hosting services to our on-premise license customers. Any damage to, or failure of, these data center systems generally could result in interruptions in service to our customers, notwithstanding any business continuity or disaster recovery agreements that may currently be in place at these facilities. As noted above, our executive offices and some of our data centers are located in areas that are vulnerable to the effects of climate change and could be subject to increased interruptions as a result of the severity and increased frequency of extreme weather events such as hurricanes, wildfires, floods, heat waves, or power shortages. Because our cloud solutions and hosting service offerings are complex and we have incorporated a variety of new computer hardware and software systems at our data centers, our services might have errors or defects that users identify after they begin using our services. This could result in unanticipated downtime for our customers and harm to our reputation and business results. Internet-based services sometimes contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our web-based services and new errors might again be detected in the future. In addition, our customers might use our Internet-based offerings in unanticipated ways that cause a disruption in service for other customers attempting to access their data.

Because our customers use these services for important aspects of their businesses, any defects, delays or disruptions in service or other performance problems with our services could hurt our reputation and damage our customers' businesses. If that occurs, customers could elect to cancel their service, delay or withhold payment to us, not purchase from us in the future or make claims against us, which could result in an increase in our provision for credit losses, an increase in collection cycles for accounts receivable or the expense and risk of litigation. Any of these could harm our business and reputation.

Material defects or errors in the software we use to deliver our services could harm our reputation, result in significant costs to us and impair our ability to sell our services.

The software applications underlying our services are inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects in our software, and new errors in our existing software may be detected in the future.

After the release of our software, defects or errors may also be identified from time to time by our internal team and our customers. The costs incurred in correcting any material defects or errors in our software may be substantial and could harm our operating results. Furthermore, our customers may use our software together with solutions from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our software does not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our solution development efforts, impact our reputation and cause significant customer relations problems.

If we are unable, or our customers believe we may be unable, to detect and prevent unauthorized use of payment card or other private financial or personal information, or are otherwise unable to effectively manage our payment processing business, we could be subject to financial liability, our reputation could be harmed and customers may be reluctant to use our solutions and services.

Our solutions provide our customers payment processing capabilities that enable their constituents to make donations and purchase services using numerous payment options, including credit card and automated clearing house (“ACH”) checking transactions, through secure online transactions. The provision of convenient, trusted, fast and effective payment processing services to our customers and potential customers is critical to our business, and revenue from payments processing constitutes a significant percentage of our total revenue. Increases in payment processing fees, material changes in our payment processing systems, changes to rules or regulations concerning payments or disruptions or failures in our payment processing systems or payment products, including products we use to update payment information, could materially adversely impact our customer retention and results of operation. In addition, from time to time, we encounter fraudulent use of payment methods that could result in substantial additional costs or delay, preclude planned transactions, product launches or improvements, require significant and costly operational changes, impose restrictions, limitations, or additional requirements on our business, products and services, prevent or limit us from providing our products or services in a given market and adversely impact customer retention. Furthermore, we continue to undertake system upgrades designed to improve the availability, reliability, resiliency and speed of our payments systems. These efforts are costly and time-consuming, involve significant technical complexity and risk, may divert our resources from new features and products and may ultimately not be effective.

The rules of payment card associations in which we participate require that we comply with Payment Card Industry Data Security Standard ("PCI DSS") in order to preserve security of payment card data. Under PCI DSS, we are required to adopt and implement internal controls over the use, storage and security of payment card data to help prevent card fraud. Conforming our solutions and services to PCI DSS or other payment services related regulations or requirements imposed by payment networks or our customers or payment processing partners is expensive and time-consuming. However, failure to comply may subject us to fines, penalties, damages and civil liability, may impair the security of payment card data in our possession, and may harm our reputation and our business prospects, including by limiting our ability to process transactions. All Blackbaud products in scope for PCI DSS compliance meet applicable PCI DSS security requirements.

In addition, we routinely subject our various data protection processes and controls to voluntary third-party review, audit or reporting, including, for example, the American Institute of Certified Public Accountants' System and Organization Controls reporting. Failure to conduct these voluntary data protection process and control reviews or to obtain and maintain audits or reports covering our data protection processes and controls may harm our reputation or our business prospects and our ability to market our solutions to our customers.

Financial Risks

Because a significant portion of our revenue is recognized over time on a ratable basis over the contract term, downturns in sales may not be immediately reflected in our revenue.

We generally recognize our subscription and maintenance revenue ratably over time over the contract term. Our subscription arrangements are generally for a term of three years at contract inception with three-year renewals thereafter. Our maintenance arrangement renewals are generally for a term of three years. As a result, much of the revenue we report in each quarter is attributable to arrangements entered into during previous quarters. Consequently, a decline in sales to new customers, renewals by existing customers or market acceptance of our solutions in any one quarter will not necessarily be fully reflected in the revenues in that quarter and could negatively affect our revenues and profitability in future quarters.

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

We incurred a substantial amount of indebtedness in connection with acquisitions, including our acquisition of EVERFI, Inc. (as described in Note 3 to our consolidated financial statements included in this report). As a result of this indebtedness, our interest payment obligations have increased. In addition, we have been named as a party in various lawsuits in connection with the Security Incident, claims have been asserted by or on behalf of our customers or their constituents, and we are subject to various governmental inquires, requests or investigations. Responding to and resolving these current and any future lawsuits, claims and/or investigations could result in material remedial and other expenses. Although we intend to defend ourselves vigorously against the claims asserted against us, we cannot predict the potential outcomes, cost and expenses associated with current and any future claims, lawsuits, inquiries and investigations, which could require that we incur additional indebtedness to fund. (See Note 11 to our consolidated financial statements in this report for additional information regarding the Security Incident.)

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

- Requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends, stock repurchases and other general corporate purposes;
- Increasing the amount of interest we pay, particularly if interest rates increase;
- Limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

- Restricting us from making additional strategic acquisitions or exploiting business opportunities;
- Placing us at a competitive disadvantage compared to our competitors that have less debt;
- Reducing our currently available borrowing capacity or limiting our ability to borrow additional funds; and
- Decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions.

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

In addition, additional leverage could impact our ability to meet certain financial and other covenants contained in our 2020 Credit Facility. (See Note 9 to our consolidated financial statements included in this report for a more detailed description of our 2020 Credit Facility.) There can be no assurance that we will be able to remain in compliance with the covenants to which we are now subject or may be subject in the future and, if we fail to do so, that we will be able to obtain waivers from our lenders or amend the covenants.

In the event of a default under our 2020 Credit Facility, we could be required to immediately repay all outstanding borrowings, which we might not be able to do and which would materially negatively affect our business, operations and financial condition.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets could negatively affect our operating results.

As of December 31, 2023, we had $1.1 billion and $581.9 million of goodwill and intangible assets, respectively. On at least an annual basis, we assess whether there have been impairments in the carrying value of goodwill and intangible assets. If the carrying value of an asset is determined to be impaired, then it is written down to fair value by a non-cash charge to operating earnings. Changes in circumstances that could indicate that the carrying value of goodwill or intangible assets may not be recoverable include declines in our stock price, market capitalization, cash flows and slower growth rates in our industry. We cannot accurately predict the likelihood or potential amount and timing of any impairment of goodwill or other intangible assets. An impairment of a significant portion of goodwill or intangible assets could materially and negatively affect our results of operations and financial condition.

Restrictions in our credit facility limit certain of our activities, including dividend payments, stock repurchases and acquisitions.

Our credit facility contains restrictions, including covenants limiting our ability to incur additional debt, grant liens, make acquisitions and other investments, prepay specified debt, consolidate, merge or acquire other businesses, sell assets, pay dividends and other distributions, repurchase stock and enter into transactions with affiliates. There can be no assurance that we will be able to remain in compliance with the covenants to which we are subject in the future and, if we fail to do so, that we will be able to obtain waivers from our lenders or amend the covenants.

In the event of a default under our credit facility, we could be required to immediately repay all outstanding borrowings, which we might not be able to do. In addition, certain of our material domestic subsidiaries are required to guarantee amounts borrowed under the credit facility, and we have pledged the shares of certain of our subsidiaries as collateral for our obligations under the credit facility. Any such default could have a material adverse effect on our ability to operate, including allowing lenders under the credit facility to enforce guarantees of our subsidiaries, if any, or exercise their rights with respect to the shares pledged as collateral.

We cannot guarantee that our stock repurchase program will be fully consummated or that it will enhance long-term stockholder value. Stock repurchases could also increase the volatility of the trading price of our stock and will diminish our cash reserves.

Although our board of directors has authorized a stock repurchase program that does not have an expiration date, the program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our common stock. We have, from time to time, repurchased stock under this program and re-initiated repurchases under the program in the fourth quarter of 2023 after a two-year hiatus. We cannot guarantee that the program will be fully consummated or that it will enhance long-term stockholder value. The program could affect the trading price of our stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our stock. In addition, implementation of some or all of this program diminishes our cash reserves, which may impact our ability to finance future growth, to pursue possible future strategic opportunities and acquisitions and fund liabilities and expenses related to the Security Incident. (See Note 14 to our consolidated financial statements in this report for additional information related to our stock repurchase program.)

We have recorded significant deferred tax assets, and we might never realize their full value, which would result in a charge against our earnings.

As of December 31, 2023, we had deferred tax assets of $143.3 million. Realization of our deferred tax assets is dependent upon our generating sufficient taxable income in future years to realize the tax benefit from those assets. Deferred tax assets are reviewed at least annually for realizability. A charge against our earnings would result if, based on the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized beyond our existing valuation allowance. This could be caused by, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the solutions sold by our business and a variety of other factors. If a deferred tax asset net of our valuation allowance was determined to be not realizable in a future period, the charge to earnings would be recognized as an expense in our results of operations in the period the determination is made. Additionally, if we are unable to utilize our deferred tax assets, our cash flow available to fund operations could be adversely affected.

Depending on future circumstances, it is possible that we might never realize the full value of our deferred tax assets. Any future impairment charges related to a significant portion of our deferred tax assets would have an adverse effect on our financial condition and results of operations.

Legal and Compliance Risks

Privacy and data protection concerns, including evolving domestic and international government regulation in the area of consumer data privacy or data protection, could adversely affect our business and operating results.

The effectiveness of our software solutions relies on our customers' storage and use of data concerning their customers, including financial, personally identifying or other sensitive data. Our customers' collection and use of this data for donor profiling, data analytics or communications outreach might raise privacy and data protection concerns and negatively impact the demand for our solutions and services. For example, our custom modeling and analytical services rely heavily on processing and using of data we gather from customers and various sources. Privacy and data protection laws could add restrictions or regulatory burdens, which could limit our ability to market and profit from those services.

Governments in some jurisdictions have enacted or are considering enacting consumer data privacy or data protection legislation, including laws and regulations applying to the solicitation, collection, transfer, processing and use of personal data. This legislation could reduce the demand for our software solutions if we fail to design or enhance our solutions to enable our customers to comply with the privacy and data protection measures required by the legislation. Moreover, we may be exposed to liability under existing or new consumer privacy or data protection legislation. For example, when providing our solutions to certain customers in the healthcare industry, we must comply with applicable provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and might be subject to similar provisions of other legislation, including, without limitation, the Gramm-Leach-Bliley Act and related regulations, and the California Consumer Privacy Act of 2018, which became effective January 1, 2020, and may apply to some of our customers and areas of business. Even technical violations of these laws may result in penalties that are assessed for each non-compliant transaction.

We, and some of our customers, are subject to the E.U. General Data Protection Regulation (“GDPR”) and U.K. data protection law, known as the "U.K. GDPR." The law requires companies to meet requirements regarding the handling of personal data, including rights such as the portability of personal data. All solutions we sell to customers subject to GDPR must include GDPR features. The implementation of GDPR has affected our ability to offer some features and services to customers in the E.U. and U.K. Furthermore, actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase, which have impacted us, and could in the future further impact us, through increased costs or restrictions on our business, and noncompliance could result in significant regulatory penalties and legal liability.

If our customers or we were found to be subject to and in violation of any privacy or data protection laws or regulations, our business may be materially and adversely impacted and we and/or our customers would likely have to change our business practices. In addition, these laws and regulations could impose significant costs on our customers and us and make it more difficult for donors to make online donations. (See Note 11 to our consolidated financial statements included in this report for a description of the Security Incident and related legal proceedings and regulatory matters.)

We are in the information technology business, and our solutions and services store, retrieve, transfer, manipulate and manage our customers' information and data. The effectiveness of our software solutions relies on our customers' storage and use of data concerning their donors, including financial, personally identifying and other sensitive data and our business uses similar systems that require us to store and use data with respect to our customers and personnel. Our collection and our customers' collection and use of this data might raise privacy and data protection concerns and negatively impact our business or the demand for our solutions and services. If a breach of data security, such as the Security Incident, were to occur, or other violation of privacy or data protection laws and regulations were to be alleged, our business may be materially and adversely impacted and solutions may be perceived as less desirable, which would negatively affect our business and operating results.

Claims that we or our technologies infringe upon the intellectual property or other proprietary rights of a third party may require us to incur significant costs, enter into royalty or licensing agreements or develop or license substitute technology.

We have been, and may in the future be, subject to claims that the technologies in our solutions and services infringe upon the intellectual property or other proprietary rights of a third party. In addition, the vendors providing us with technology that we use in our own solutions could become subject to similar infringement claims. Although we believe that our solutions and services do not infringe any intellectual property or other proprietary rights, we cannot be certain that our solutions and services do not, or that they will not in the future, infringe intellectual property or other proprietary rights held by others. Any claims of infringement could cause us to incur substantial costs to defend against the claim, even if the claim is without merit, and could distract our management from our business. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts, or obtain a license to continue to use the technology and services that are the subject of the claim, and/or otherwise restrict or prohibit our use of the same. There can be no assurance that we would be able to obtain a license on commercially reasonable terms from the third party asserting any particular claim, or that we would be able to successfully develop alternative technology on a timely basis, or that we would be able to obtain a license from another provider of suitable alternative technology to permit us to continue offering, and our customers to continue using, the solutions and services. In addition, we generally provide in our customer arrangements for certain solutions and services that we will indemnify our customers against third-party infringement claims relating to technology we provide to those customers, which could obligate us to pay damages if the solutions and services were found to be infringing. Infringement claims asserted against us, our vendors or our customers may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our solutions utilize open source software, which may subject us to litigation, require us to re-engineer our solutions, or otherwise divert resources away from our development efforts.

We use open source software in connection with certain of our solutions. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, "Apache-style" licenses, "BSD-style" licenses and other open source licenses. There is little legal precedent governing the interpretation of many of the terms of some of these licenses and, therefore, the potential impact of these terms on our business is currently unable to be determined and may result in unanticipated obligations regarding our solutions and technologies. From time to time, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software and/or compliance with open source license terms. Therefore, we could be subject to litigation by parties claiming ownership of open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their own software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business.

We rely upon trademark, copyright, patent and trade secret laws to protect our proprietary rights, which might not provide us with adequate protection.

Our success and ability to compete depends to a significant degree upon the protection of our proprietary technology rights. We might not be successful in protecting our proprietary technology and our proprietary rights might not provide us with a meaningful competitive advantage. To protect our core proprietary technology, we rely on a combination of patent, trademark, copyright and trade secret laws, as well as nondisclosure agreements, each of which affords only limited protection.

Changing domestic and international laws, government regulations and policies, laws limiting or restricting our ability to pass card charges on to customers and other similar laws and regulations, could adversely affect our business and operating results by increasing compliance costs, reducing customer demand for our solutions or damaging our reputation.

Certain of our solutions, in particular our financial management and payment services solutions, relate to activity heavily regulated by government agencies in the U.S., the U.K. and other countries in which we operate. The laws and regulations enforced by these agencies are proposed or enacted to deter fraud and other illicit financial transactions and to protect consumers and the financial system and are often revised or increased in scope. We have procedures and controls in place to monitor compliance with numerous federal, state and foreign laws and regulations. However, because these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation, or as a result of unintended errors, we may, from time to time, inadvertently violate these laws and regulations. Compliance with these laws and regulations is expensive and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, be subject to litigation, lose existing or new customer contracts or other business, and suffer damage to our reputation.

In addition, changes in certain laws, regulations or policies could impact our customers, alter our business environment and limit our operations. For example, various financial institutions subscribe to our EVERFI training solution, which they may then provide free of charge to schools in low-income and moderate-income communities as a means of satisfying their obligations under the Community Reinvestment Act of 1977, as amended (the “CRA”). Repeal or significant modification of the CRA or the many government agency regulations and policies implementing its provisions could cause financial institutions to limit or eliminate their purchases of these EVERFI solutions and thereby negatively impact our operating results and financial condition.

Provisions in our organizational documents, our Stockholder Rights Agreement (as described below, the "Rights Agreement")***, certain officer compensation arrangements and Delaware law may delay or prevent an acquisition or change of control of our Company that could be deemed beneficial to our stockholders.***

Certain provisions in our organizational documents, the Rights Agreement, compensation arrangements with our officers and Delaware law (as summarized below) may have the effect of delaying, deferring, discouraging or preventing an acquisition or change in control of the Company or a change in our management. This includes tender offers for our common stock, proxy contests or other takeover attempts. These anti-takeover effects may discourage transactions that might result in the payment of a premium over the market price for shares of our common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Certificate of Incorporation and Bylaw provisions. The Board of Directors is divided into three classes of directors, as nearly equal in number as possible, with each class serving a staggered term of three years. The classification of directors will have the effect of making it more difficult and time-consuming for stockholders to change the composition of the Board of Directors, could discourage a third-party from making a tender offer or otherwise attempting to obtain control of the Company and may maintain the incumbency of the Board of Directors.

Our Bylaws contain an advance notice procedure for stockholders' proposals to be brought before a meeting of stockholders, including any proposed nominations of persons for election to the Board of Directors. The Bylaws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed and may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

The Board of Directors has the authority to issue up to an aggregate of 20,000,000 shares of preferred stock in one or more classes or series and to determine, with respect to any such class or series, the designations, powers, preferences and rights of such class or series, and the qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption prices, liquidation preferences, and the number of shares constituting any class or series or the designation of such class or series, without further vote or action by the stockholders. This preferred stock, including the Series A Preferred Stock described below, could have terms that may discourage a potential acquirer from making, without first negotiating with the Board of Directors, an acquisition attempt through which such acquirer may be able to change the composition of the Board of Directors, including a tender offer or other takeover attempt.

The Board of Directors possesses the authority to call and hold emergency special meetings of the Board of Directors with less than forty-eight hours' notice. This power to hold an emergency special meeting of the Board of Directors on short notice could discourage a potential acquirer from launching a bid to acquire majority ownership of the Company, a proxy solicitation in order to replace the current Board of Directors, or otherwise attempting to obtain control of the Company.

Stockholder Rights Agreement. On October 7, 2022, the Company declared a dividend of one preferred share purchase right (a "Right") for each of the Company's issued and outstanding shares of our common stock. The description and terms of these Rights are set forth in the Rights Agreement by and between the Company and American Stock Transfer & Trust Company, LLC. Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from us one one-thousandth of a share of the Series A Junior Participating Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock") at a price of $313.00, subject to certain adjustments (as adjusted from time to time, the "Exercise Price"). Under the Rights Agreement, the Rights will become exercisable if an entity, person or group acquires beneficial ownership of 20% or more of the outstanding common stock in a transaction not approved by the Board of Directors. In the event that the Rights become exercisable due to the ownership threshold being crossed, each Right will entitle its holder (other than the person, entity or group triggering the Rights Plan, whose rights will become void and will not be exercisable) to purchase additional shares of our common stock having a then-current market value of twice the Exercise Price, which would likely make any takeover or change of control attempt by such entity, person or group prohibitively expensive. Subject to the terms of the Rights Agreement, the Rights were scheduled to expire on October 2, 2023. On October 2, 2023, the Company amended the Rights Agreement to extend the final expiration date from October 2, 2023 to October 2, 2024. The Company expects to submit this amendment to the Company's stockholders for ratification at the Company's 2024 annual meeting of stockholders. On January 26, 2024, the Company amended the Rights Agreement to reflect a change in rights agent. Additional information regarding the Rights Agreement and it amendments, including copies thereof, is contained in the Company's Current Reports on Form 8-K filed with the SEC on October 7, 2022, October 2, 2023 and January 26, 2024.

Officer Compensation Arrangements. We have entered into an employment agreement with our Chief Executive Officer and retention agreements with certain of our officers, which provide that, upon the occurrence of a change in control of us and either the termination of their employment without cause (as defined) or their resignation for good reason (as defined), such persons would be entitled to certain termination or severance payments made by us (which may include a lump sum payment equal to defined percentages of compensation and accelerated vesting of certain equity stock awards paid in accordance with the terms and conditions of the respective agreement). Such provisions could significantly increase the costs to a third-party acquirer and/or deter such third-party from acquiring us.

Delaware anti-takeover law. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation, such as the Company, from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless certain criteria are met. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or is an affiliate or associate of the corporation, and within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock.

Changes in our effective tax rate and additional tax liabilities and global tax developments may impact our financial results.

We are subject to income taxes in the United States and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in our earnings and losses in countries with differing statutory tax rates, changes in operations, changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions, and changes in accounting principles and tax laws. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also materially impact our income tax liabilities.

We may also be subject to additional tax liabilities and penalties due to changes in non-income-based taxes resulting from changes in federal, state, local or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, or changes to our business operations, including as a result of acquisitions. For example, the U.S. Inflation Reduction Act of 2022 created an excise tax of 1% on the value of any stock repurchased by us after December 31, 2022. We could be subject to this excise tax, but the amount will vary depending on various factors, including the amount and frequency of any stock repurchases and any permitted reductions or exceptions to the amount subject to the tax. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our financial position and cash flows.

We are also subject to tax examinations or engaged in alternative resolutions in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition or changes in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results or financial position.

As we utilize our tax credits and net operating loss carryforwards, we may be unable to mitigate our tax obligations to the same extent as in prior years, which could have a material impact to our future cash flows. In addition, changes to our operating structure, including changes related to acquisitions, may result in cash tax obligations.

Global tax developments applicable to multinational businesses may have a material impact to our business, cash flow from operating activities, or financial results. Such developments, for example, may include certain United States' proposals as well as the Organization for Economic Co-operation and Development's, the European Commission's and certain major jurisdictions' heightened interest in and taxation of companies participating in the digital economy.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Because technology, data and information security is a top priority at Blackbaud, we maintain and continuously assess and strengthen our cybersecurity program. Comprehensive cybersecurity risk management, including identification, analysis and response to risks affecting our business and its customers, provides the foundation for our program.

We utilize a four-prong strategy for assessing, identifying and managing material risks from cybersecurity threats:

1. ***Operational security:*** We leverage the industry standard CIA Triad Model in conjunction with comprehensive industry control frameworks, compliance regulations, privacy requirements and best practices, including: the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, PCI DSS, System and Organization Controls ("SOC") 1, SOC 2, GDPR, HIPAA, the Trans-Atlantic Data Privacy Framework and Cloud Security Alliance.

2. ***Product security:*** Our development teams take part in regular training and use industry best practices to build security into our solutions.

3. ***Incident response:*** We monitor the threat landscape 24/7 in coordination with a third-party firm, routinely test our incident response capabilities and preparedness and maintain proactive relationships with law enforcement.

4. ***Ongoing landscape analysis:*** We continually evaluate upcoming and changing data privacy regulations and provide thought leadership for our customers on the operational impacts of these regulations and compliance requirements.

We believe that information and technology security is a shared responsibility and, therefore, incorporate data and privacy protection education into the customer experience through ongoing resources such as best practices content, one-on-one consultations with customer success managers and bbcon® sessions. We also participate in global communities and conference platforms to share information and present on best practices to improve the industry's security awareness posture. In addition, Blackbaud employees are all engaged in on-going security and privacy awareness training campaigns to ensure they are empowered to protect both Blackbaud's and our customers' data.

Blackbaud also maintains a defined program and dedicated team that provides security oversight of its third-party service providers. This program assesses and manages risk at the onboarding phase of engagement with third-party vendors and partners as well as oversight throughout the lifecycle of the vendor relationship.

We regularly engage outside consultants and experts to assist us regarding our cybersecurity program. Engagements include an annual NIST Cybersecurity Framework assessment to ensure a reasonable cybersecurity program and retained leading external cybersecurity Incident Response (IR) experts.

Consistent with our prioritization of information and technology protection, cybersecurity risk management has been and remains a key aspect of our overall business strategy, financial planning and capital allocation and a point of ongoing emphasis at all levels of our Company.

In addition, we continuously learn from and leverage experience gained from previous cybersecurity incidents that we, like many other companies, have experienced. As previously disclosed, we have been and remain subject to risks and uncertainties as a result of a ransomware attack against us in May 2020 in which a cybercriminal removed a copy of a subset of data from our self-hosted environment. As a result of the Security Incident, we are currently subject to certain legal proceedings, claims and investigations and could be the subject of additional legal proceedings, claims, inquiries and investigations in the future that might result in adverse judgments, settlements, fines, penalties or other resolution. See Note 11 to the consolidated audited financial statements contained in this Annual Report on Form 10-K for additional information regarding the Security Incident and its past and potential impact on the Company.

Notwithstanding our strong commitment to cybersecurity, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. See Item 1A. "Risk Factors" for a discussion of our cybersecurity risks.

Governance

Our multi-level cybersecurity governance and risk management structure begins with our Operational Risk Compliance and Security ("ORCAS") Committee consisting of cross-functional management representatives throughout our Company. The ORCAS Committee receives detailed cybersecurity information from key security personnel and reports at least quarterly up through our Risk Steering Committee, which is made up of executives and senior management from various Blackbaud departments: Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology Officer, General Counsel, Chief Privacy Officer and Chief Information Security Officer ("CISO"), who has extensive information technology and program management experience. Our CISO has served in various roles of increasing responsibility in information technology and information security for more than 25 years, including serving in various cybersecurity leadership roles within public and private companies. He holds two undergraduate degrees—one in business administration and the other in computer information systems, a graduate degree in information systems and maintains two cybersecurity industry recognized certifications: Certified Information Systems Security Professional (CISSP) and Certified Cloud Security Professional (CCSP), both from the International Information System Security Certification Consortium. Cybersecurity leaders reporting to our CISO also have significant information technology and information security experience and industry recognized certifications.

The Risk Steering Committee reports to the Risk Oversight Committee of our Board of Directors at the regular quarterly meetings, or more frequently as needed. The Risk Oversight Committee's duties include, among other things, oversight of risks related to information technology security. The Risk Oversight Committee communicates as appropriate with the full Board of Directors, which is ultimately responsible for cybersecurity risk oversight.

Additionally, our cybersecurity Incident Response plan timely informs our Cybersecurity Incident Subcommittee on active cybersecurity incidents that are potentially material. The Cybersecurity Subcommittee determines cybersecurity materiality and is made up of our General Counsel, Chief Information Security Officer, Chief Accounting Officer and Director of SEC Reporting. Our Cybersecurity Incident Subcommittee is part of our Disclosure Committee, which is appointed by Chief Executive Officer and Chief Financial Officer to assist our executives in their responsibility for oversight of the accuracy and timeliness of the disclosures made by Blackbaud.

ITEM 2. PROPERTIES

We own our LEED Gold certified global headquarters facility in Charleston, South Carolina, which consists of approximately 172,000 square feet. We believe that it is in good operating condition and adequately serves our current business operations.

In December 2021, we acquired EVERFI and assumed a lease for office space in Washington, D.C. and an office in London, U.K. In February 2023, we closed our Washington, DC office location to align with our remote-first workforce strategy and have since that time subleased a portion of the space. We continue to pursue strategic alternatives for our Washington, DC office space, including additional subleases. We have the intent and ability to sublease this office space.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of our legal proceedings, see Note 11 to our consolidated financial statements in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

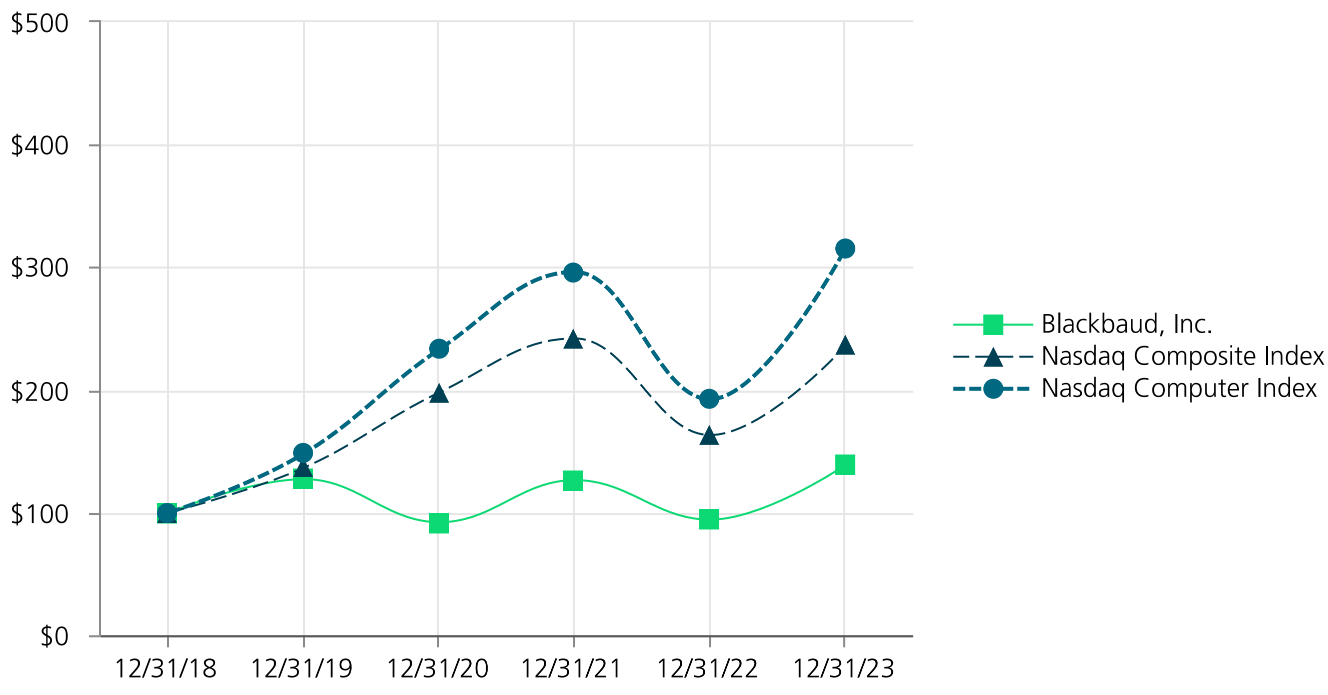
PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is trading on the Nasdaq Stock Market LLC ("Nasdaq") under the symbol "BLKB." According to the records of our transfer agent, as of February 14, 2024, there were approximately 109 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, this number is not representative of the total number of beneficial owners of our stock. On February 14, 2024, the closing price of our common stock was $71.61.

Stock Performance Graph

The following performance graph shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act except as shall be expressly set forth by specific reference in such filing. The performance graph compares the performance of our common stock to the Nasdaq Composite Index and the Nasdaq Computer Index. The graph covers the most recent five-year period ended December 31, 2023. The graph assumes that the value of the investment in our common stock and each index was $100.00 at December 31, 2018, and that all dividends are reinvested.



December 31,	2018	2019	2020	2021	2022	2023
Blackbaud, Inc.	$100.00	$127.30	$92.21	$126.53	$94.30	$138.90
Nasdaq Composite Index	100.00	136.69	198.10	242.03	163.28	236.17
Nasdaq Computer Index	100.00	148.27	233.26	296.23	192.48	315.60

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Issuer Purchases of Equity Securities

The following table provides information about shares of common stock acquired or repurchased during the three months ended December 31, 2023 under our stock repurchase program as then in effect, as well as common stock withheld by us to satisfy the minimum tax obligations of employees due upon vesting of restricted stock awards and units.

Period	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[2]	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)[2]
Beginning balance, October 1, 2023				$ 250,000
October 1, 2023 through October 31, 2023	—	$ —	—	250,000
November 1, 2023 through November 30, 2023	3,194	73.02	—	250,000
December 1, 2023 through December 31, 2023	222,593	84.89	221,836	231,169
Total	225,787	$ 84.72	221,836	$ 231,169

(1) Includes 3,951 shares (3,194 in November and 757 in December) withheld by us to satisfy the minimum tax obligations of employees due upon vesting of restricted stock awards and units. The level of this acquisition activity varies from period to period based upon the timing of award grants and vesting.

(2) In December 2021, our Board of Directors reauthorized and replenished our stock repurchase program to authorize us to purchase up to $250.0 million of our outstanding shares of common stock. On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $250.0 million to $500.0 million available for repurchases. The program does not have an expiration date.

Dividends

We have not declared or paid any cash dividends on our common stock since the first quarter of 2020, and we do not presently plan to pay cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness, plans for expansion and restrictions imposed by our debt arrangements, if any.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Item 1A Risk factors and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The following discussion and analysis presents financial information denominated in millions of dollars which can lead to differences from rounding when compared to similar information contained in the consolidated financial statements and related notes, which are primarily denominated in thousands of dollars.

Executive Summary

We are the leading software provider exclusively dedicated to powering social impact. Serving the nonprofit and education sectors, companies committed to social responsibility and individual change makers, our essential software is built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management. A remote-first company, we have operations in the United States, Australia, Canada, Costa Rica and the United Kingdom, supporting users in 100+ countries. Millions of people across more than 100 countries connect, give, learn and engage through Blackbaud platforms. During 2023, we had nearly 100,000 customers that paid Blackbaud through transactional fees and more than 40,000 customers with contractual billing arrangements.

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

Update on Five Key Operational Initiatives

1 **Product Innovation and Delivery**

2 **Bookings Growth and Acceleration**

3 **Transactional Revenue Optimization and Expansion**

4 **Modernized Approach to Pricing and Multi-Year Customer Contracts**

5 **Keen Attention to Cost Management**

1. *Product Innovation and Delivery*

Product is core at Blackbaud, and we strive to bring increased value to our customers with improved and innovative capabilities. We have recently announced or released a number of product enhancements as well as new solutions that enable our customers to better deliver on their missions. Some examples include:

- Optimized Online Donation Capabilities: New online donation capabilities that fully integrate with Blackbaud’s payment processing and CRM software and enable customers to raise more money while reducing processing costs. We recently began an early adopter program for the new donation capabilities with a small sample of RE NXT customers across charity, education, and arts and cultural organizations. We expect to make them generally available in the first half of 2024.

- Prospect Insights Pro for Raiser’s Edge NXT®: New add-on capability within Raiser’s Edge NXT® that gives fundraisers access to AI-driven insights to support planned and major gift fundraising

- Impact Edge™: A first-of-its-kind AI-powered, social impact reporting and storytelling solution for corporate social responsibility (CSR) and social impact teams of all sizes. This new solution is currently in an early adopter program with our planned full roll out in the second half of 2024.

- JustGiving Storywriter: With new generative AI capabilities, fundraisers on JustGiving are able to quickly and easily create personal stories to share with their networks. Company research has shown that JustGiving pages that include a clear and personal story raise approximately 65% more than those that don't.

- Good Move™: New development transformed the Good Move activity-tracking mobile app into a powerful mobile participant center for Blackbaud TeamRaiser® peer-to-peer fundraising events. The new expansive feature for Blackbaud TeamRaiser® became generally available in the U.S. and Canada in March 2023.

- Intelligence for Good®: In summer 2023, we launched next generation Intelligence for Good® strategy with an extensive agenda of initiatives and investments targeted at making artificial intelligence more accessible, powerful and responsible across the social impact sector

2. *Bookings Growth and Acceleration*

We maintain a keen focus on accelerating bookings growth by signing new logos as well as upselling and cross-selling our existing customer base. Our sales team is split between prospect account executives dedicated to prospecting for new clients and customer account executives who focus on selling additional products to current customers. Given the breadth of our product portfolio, this "land and expand" model has proven successful for us over time. As previously disclosed, there can be volatility quarter-to-quarter on bookings.

3. *Transactional Revenue Optimization and Expansion*

Transactional revenue, which is about one-third of total revenue, is comprised of four primary components: donation processing (~55% of total transactional revenue); consumer giving (~20%); tuition management (~20%); and event-based usage (~5%). The diversity of the underlying transaction volumes from these four sources has resulted in consistent transactional recurring revenue growth in the mid-to-high single digits over the past several years. Strong momentum in consumer giving and tuition management, rate increases on Blackbaud Merchant Services, and increased donations tied to global events drove continued solid transactional recurring revenue growth in 2023. Going forward we will continue to implement additional payments solutions optimization to drive enhanced donor experience.

4. *Modernized Approach to Pricing and Multi-Year Contracts*

Last summer, we put in place an updated pricing policy primarily for our social sector customers that directly reflects the value we provide to them, is in-line with the broader market and reflects the inflationary pressures that all businesses are facing. In November 2022, we started notifying customers with a March 2023 contract renewal that we would be making important contract changes. First, we are offering 3-year contract renewal terms as our standard, replacing one-year renewal terms. This process was already being implemented outside of the pricing changes. Second, we are implementing a more significant rate increase on the 1-year renewal option versus the 3-year renewal option. And third, the 3-year renewal option includes embedded annual rate increases. Our 3-year renewal options did not historically include annual rate increases.

These efforts are well on their way and we have now completed the 2023 renewal cohort, which represented approximately 35% of the total contractual revenue eligible for this program. Approximately another 30% of the renewable base is up for renewal in 2024, another 25% in 2025, and the remaining 10% in the beginning of 2026. The close day-to-day management of renewals, the mix of 3-year and 1-year contracts, and the impact of pricing are progressing well, and we expect more impact from the compounding effect of these rate increases over time as we layer in future year contract renewals and annual rate increases. Additionally, the adoption of 3-year renewals as a standard, with more customers opting for this option than we originally expected, are expected to have an added benefit of higher retention which provides greater revenue assurance and predictability. Looking even further ahead, the cycle starts fresh in 2026 as the 2023 signed contracts will begin to renew. We expect that this will be a sustainable and meaningful revenue growth stream for us.

5. *Keen Attention to Cost Management*

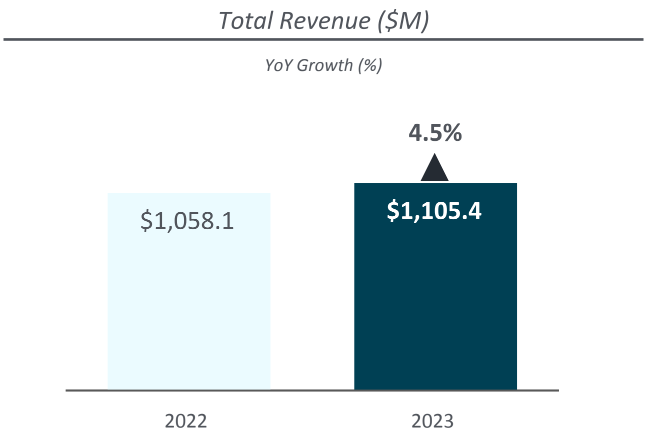
Cost management initiatives already completed drove a significant improvement in profitability during 2023. These initiatives included:

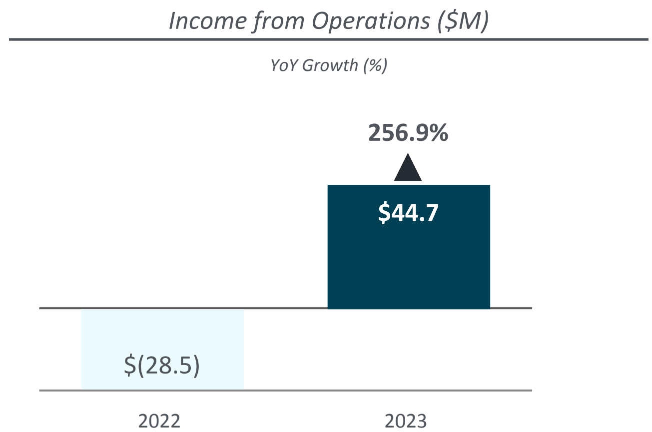
- A reduction in headcount from approximately 3,600 in the third quarter of 2022 to approximately 3,000 as of December 31, 2023

- Continued IT consolidation as we migrate customers from legacy private data centers to leading public cloud service providers. We closed four legacy data centers during 2022 and two in 2023.
- Renegotiated key vendor contracts including Microsoft Azure and AWS
- Reduced our real estate footprint as part of the shift to a remote first workforce

Going forward, our goal is to run the business at about this headcount level for the foreseeable future, while continuing to drive efficiencies in other areas of the business.

Financial Summary





Total revenue increased by $47.3 million during 2023, driven largely by the following:

+ Growth in recurring revenue primarily related to:
  - an increase in transactional recurring revenue of $30.5 million primarily due to positive results related to pricing initiatives we implemented during 2023 and increases in volume for our Blackbaud Tuition Management, JustGiving and Blackbaud Merchant Services solutions; and
  - an increase in contractual revenue of $29.3 million related to the performance of our cloud solutions and, to a lesser extent, the early impact of our pricing initiatives; partially offset by a decrease in maintenance revenue as customers migrate to our cloud solutions.
- Decrease in one-time services and other revenue primarily related to:
  - decrease in one-time consulting revenue due primarily to less sales of creative services and implementation and customization services. Also contributing is an increase in utilization of third-party service delivery partners. For several years, we have been strategically shifting away from a one-time services business model towards sales of retained and managed services and also embedding services in our renewable cloud solution contracts. Retained and managed services contracts that we expect to have a term consistent with our cloud solution contracts, and embedded services are recorded as recurring revenue; and
  - decrease in one-time analytics revenue as analytics now are generally integrated in our cloud solutions.

For information on the impact of foreign currency fluctuations on our financial results, see Foreign Currency Exchange Rates below on page 59.

We have a number of multi-year pricing initiatives underway, some to bring our pricing in line with the market while others are model changes that are expected to drive greater revenue for both us and our customers. As a result, we expect to see a continued acceleration in revenue growth during 2024 as we begin to see the full-year effect of some of these pricing initiatives.

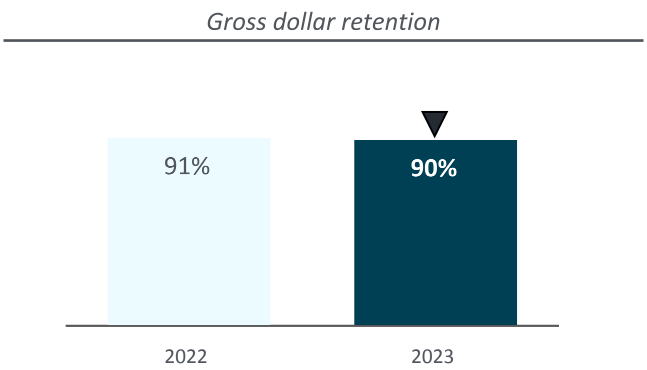
We expect that the decline in our non-strategic one-time services and other revenue will slow in 2024 compared to the previous two years.

Income from operations increased by $73.2 million during 2023, driven largely by the following:

+ Increase in total revenue, as described above
+ Net decreases in the following costs primarily due to our targeted workforce reductions discussed below:
    - Decrease in compensation costs other than stock-based compensation of $35.4 million; and
    - Decrease in commission expense of $1.1 million
+ Decrease in third-party contractor costs of $12.2 million primarily due to our focus on cost management
+ Decrease in hosting and data center costs of $5.0 million as we continue to migrate our cloud infrastructure to leading public cloud service providers and make investments in security; currently, we expect our cloud infrastructure migration efforts and increased level of cybersecurity investments to continue for the foreseeable future
+ Decrease in Security Incident-related expenses, net of insurance, of $2.3 million. See "Security Incident update" below on page 39.
+ Decrease in cost of revenue from a $2.3 million impairment charge during the three months ended June 30, 2022, against previously capitalized software development costs that reduced the carrying value of those assets to zero. The impairment charge resulted primarily from our decision to end customer support for certain solutions
- Increase in stock-based compensation expense of $17.5 million attributable to primarily due to overall Company performance against 2023 goals and 2022 performance-based equity award adjustments, partially offset by the targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023
- Increase in transaction-based costs of $9.2 million related to the increase in the volume of transactions for which we process payments and, to a lesser extent, increases in vendor rates
- Increase in amortization of intangible assets from business combinations of $4.2 million due to our acquisition of EVERFI
- Net decrease of $4.0 million due to an increase in amortization of capitalized software and content development costs, partially offset by an increase in software and content development costs that were required to be capitalized under the internal-use software guidance

We are continuing to make investments in the business in areas such as innovation, artificial intelligence, cybersecurity, and our continued shift of cloud infrastructure to leading public cloud service providers. Our profitability during 2023 reflects some of these incremental investments. We plan to accelerate some of the cybersecurity investments during 2024, which is expected to modestly impact our profitability in the near term.

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



Our recurring subscription contracts are typically for a term of three years at contract inception with standard three year renewals thereafter. A key factor to our overall success is the renewal and expansion of our existing subscription agreements with our customers. Management uses gross dollar retention in analyzing our success at delighting our customers with innovative and cloud solutions. Gross dollar retention is defined as contracted annual recurring revenue ("CARR") divided by beginning CARR with a measurement period of twelve months. During 2023, our gross dollar retention was approximately 90%. This gross dollar retention rate was slightly lower than our rate for the full year ended December 31, 2022 primarily due to the inclusion of EVERFI beginning in 2023. Excluding EVERFI, our gross dollar retention during 2023 was slightly higher than our rate for the full year ended December 31, 2022. We are continually investing in innovation, which we believe will increase gross dollar retention over the long-term. Although some customer attrition is normal, our new contract pricing and renewal model (as described above on page 36) does not appear to have had a significant impact on customer attrition to date.

Balance sheet and cash flow

At December 31, 2023, our cash and cash equivalents were $31.3 million. Under the 2020 Credit Facility, the carrying amount of our debt was $720.6 million and our net leverage ratio was 1.97 to 1.00.

During 2023, we generated $199.6 million in cash flow from operations, had a net decrease in borrowings of $81.4 million and had aggregate cash outlays of $64.1 million for purchases of property and equipment and capitalized software and content development costs.

We resumed stock repurchases during the fourth quarter of 2023 under our then existing stock repurchase program that authorized us to purchase up to $250.0 million of our outstanding shares of common stock. On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $250.0 million to $500.0 million available for repurchases. We plan to repurchase shares going forward to at least offset the dilution from our annual stock-based compensation and possibly beyond that amount as market conditions and our strategic plans permit. See additional details regarding our stock repurchase program below on page 56.

Security Incident update

As discussed in Note 11 to our consolidated financial statements included in this report, total costs related to the Security Incident exceeded the limit of our insurance coverage in the first quarter of 2022. Accordingly, the Security Incident has negatively impacted, and we expect it to continue for the foreseeable future to negatively impact, our GAAP profitability and GAAP cash flow (see discussion regarding non-GAAP free cash flow and non-GAAP adjusted free cash flow on page 53). For full year 2023, we incurred net pre-tax expenses of $53.4 million related to the Security Incident, which included $22.4 million for ongoing legal fees. It also includes settlements and recorded liabilities for loss contingencies of $31.0 million. Also, for full year 2023, we had net cash outlays of $78.0 million related to the Security Incident, which included ongoing legal fees, the $3.0 million civil penalty paid during the first quarter of 2023 related to the SEC settlement and the $49.5 million civil penalty paid during the fourth quarter of 2023 related to the multi-state Attorneys General settlement (as discussed in Note 11). In line with our policy, legal fees are expensed as incurred. For full year 2024, we currently expect net pre-tax expense of approximately $5.0 million to $10.0 million and net cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident.

As of December 31, 2023, we have recorded approximately $1.5 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain customers related to the Security Incident that we believe we can reasonably estimate in accordance with our loss contingency procedures described in Note 11. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of December 31, 2023 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgement, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Results of Operations

Reportable segment

We report our operating results and financial information in one operating and reportable segment. See Note 16 of our consolidated financial statements in this report for additional information.

Comparison of 2023 vs. 2022

For information regarding the comparison of 2022 to 2021, please refer to Part II Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 24, 2023.

Acquisitions

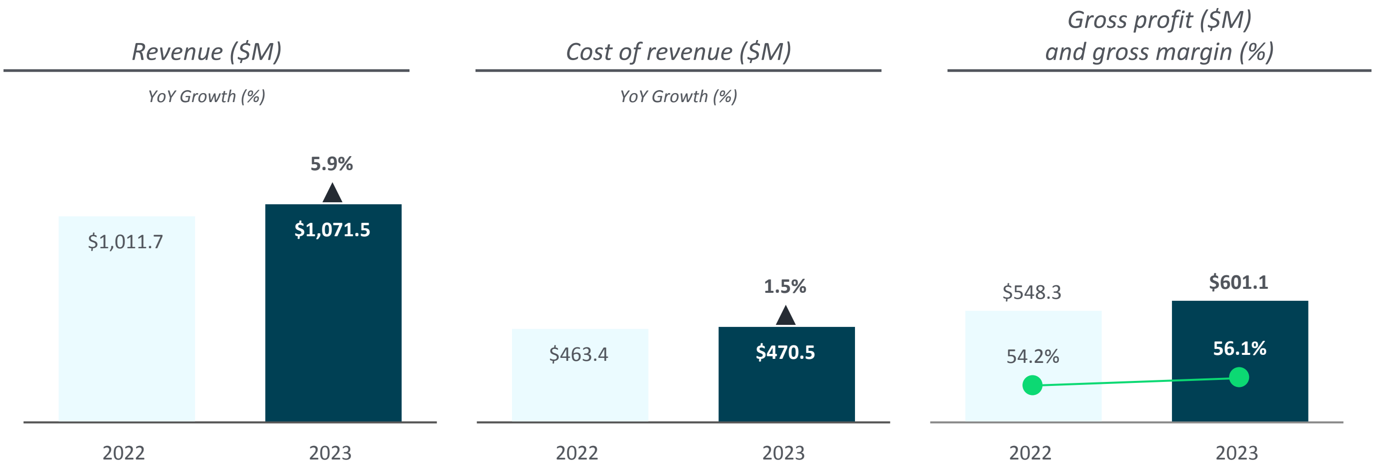
During 2022 and 2021, we acquired companies that provided us with strategic opportunities to expand our TAM and share of the philanthropic giving market through the integration of complementary solutions and services to serve the changing needs of our customers. The following are the companies we acquired and their respective acquisition dates:

- Kilter, Inc. ("Kilter") on August 19, 2022
- EVERFI, Inc. on December 31, 2021

We have included the results of operations of acquired companies in our consolidated results of operations from the date of their respective acquisitions. In accordance with applicable accounting rules, we determined that the Kilter and EVERFI acquisitions were not material to our consolidated financial statements; therefore, revenue and earnings since the acquisition date and pro forma information are not required or presented. See Note 3 to our consolidated financial statements in this report for a summary of these acquisitions.

Revenue and Cost of Revenue

Recurring



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

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

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

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

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

2023 vs. 2022

Recurring revenue increased by $59.8 million, or 5.9%, driven primarily by the following:

- \+ Increase in transactional recurring revenue of $30.5 million primarily due to positive results related to pricing initiatives we implemented during 2023 and increases in volume for our Blackbaud Tuition Management, JustGiving and Blackbaud Merchant Services solutions; and
- \+ Increase in contractual recurring revenue of $29.3 million related to the performance of our cloud solutions and, to a lesser extent, the early impact of our pricing initiatives; partially offset by a decrease in maintenance revenue as customers migrate to our cloud solutions.

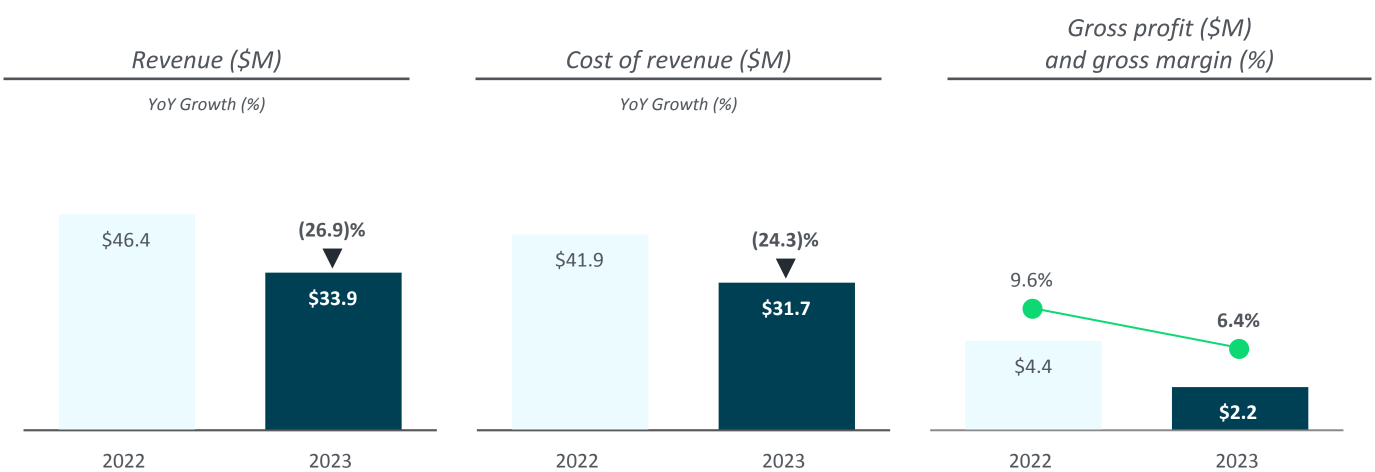
For additional information on the impact of foreign currency fluctuations on our financial results, see Foreign Currency Exchange Rates below on page 59.

Cost of recurring revenue increased by $7.0 million, or 1.5%, driven primarily by the following:

+ Increase in transaction-based costs of $9.2 million related to the increase in the volume of transactions for which we process payments and, to a lesser extent, increases in vendor rates
+ Increase in amortization of software development costs of $5.6 million due to our continued investments in the innovation and security of our solutions
+ Increase in amortization of intangible assets from business combinations of $4.0 million primarily due to our acquisition of EVERFI in December 2021
+ Increase in stock-based compensation costs of $2.8 million primarily due to overall Company performance against 2023 goals and 2022 performance-based equity award adjustments, partially offset by the targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023
- Decrease in compensation costs other than stock-based compensation of $8.7 million primarily due to our targeted workforce reductions discussed above
- Decrease in hosting and data center costs of $5.1 million as we continue to migrate our cloud infrastructure to leading public cloud service providers and make investments in security; currently, we expect our cloud infrastructure migration efforts and increased level of cybersecurity investments to continue for the foreseeable future
- Decrease in third-party contractor costs of $1.1 million primarily due to our focus on cost management

Recurring gross margin increased by 190 basis points primarily due to the increase in recurring revenue outpacing the increase in cost of recurring revenue.

One-time services and other



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

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

2023 vs. 2022

One-time services and other revenue decreased by $12.5 million, or 26.9%, driven primarily by the following:

- Decrease in one-time consulting revenue of $9.2 million primarily due to less sales of creative services and implementation and customization services. Also contributing is an increase in utilization of third-party service delivery partners. For several years, we have been strategically shifting away from a one-time services business model towards sales of retained and managed services and also embedding services in our renewable cloud solution contracts. Retained and managed services contracts that we expect to have a term consistent with our cloud solution contracts, and embedded services are recorded as recurring revenue.
- Decrease in one-time analytics revenue of $3.0 million as analytics are generally integrated in our cloud solutions

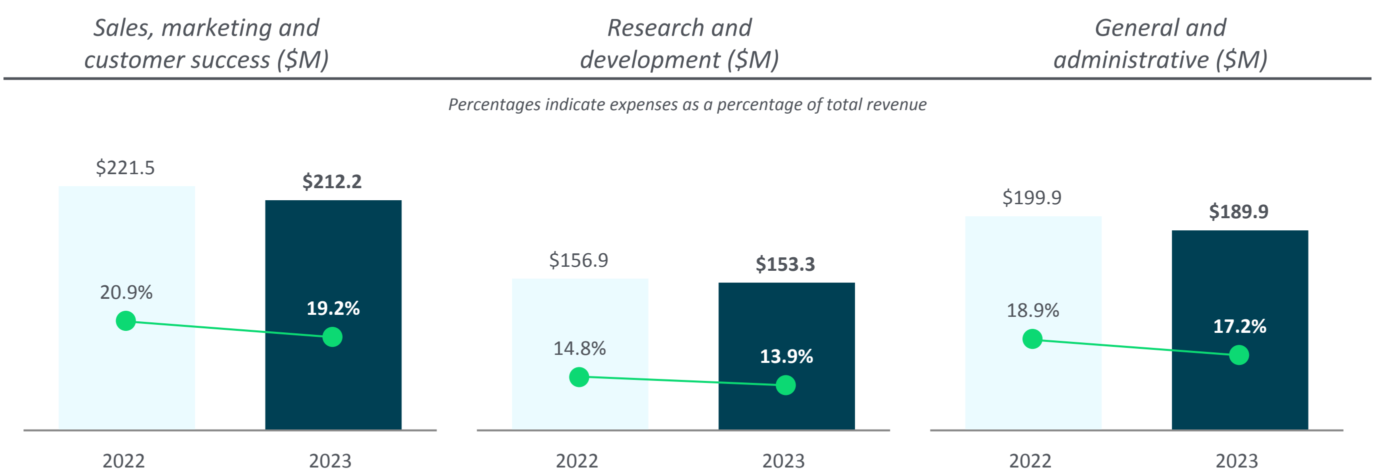
Cost of one-time services and other decreased $10.2 million or 24.3%, primarily driven by the following:

- Decrease in compensation costs of $7.9 million primarily related to our targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023 and a continued shift in resources historically supporting one-time services and other towards recurring revenue
- Decrease in employee severance of $1.2 million primarily due to our targeted workforce reductions discussed above, the majority of which were recorded in cost of one-time services and other in the fourth quarter of 2022
- Decrease in direct costs of revenue of $1.2 million primarily related to our decrease in sales of creative services

\+ Increase in third-party contractor costs of $1.2 million primarily due to an increase in partners delivering services

One-time services and other gross margin decreased by 320 basis points primarily due to the decrease in one-time services and other revenue outpacing the decrease in cost of one-time services and other revenue.

Operating Expenses



Sales, marketing and customer success

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

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

2023 vs. 2022

Sales, marketing and customer success expenses decreased by $9.3 million, or 4.2%. The decreases in dollars and as a percentage of total revenue were primarily driven by the following:

- \- Net decreases in the following costs primarily due to our targeted workforce reductions discussed above:
  - Decrease in compensation costs other than stock-based compensation of $10.5 million; and
  - Decrease in commissions expense of $1.3 million; partially offset by
  - Increase in severance costs of $1.5 million
- \- Decrease in third-party contractor costs of $3.1 million primarily related to strategic consulting costs incurred during 2022
- \+ Increase in stock-based compensation costs of $3.5 million primarily due to overall Company performance against 2023 goals and 2022 performance-based equity award adjustments, partially offset by the targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023
- \+ Increase in conference and travel costs of $1.0 million primarily due to our annual user conference, ***bbcon***®, which was held in-person in November 2023 for the first time since the pandemic

Research and development

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

2023 vs. 2022

We continue to make investments to delight our customers with innovative cloud solutions. We also continue to invest heavily in the security of our solutions. Research and development expense decreased by $3.6 million, or 2.3%. The decreases in dollars and as a percentage of total revenue were primarily driven by the following:

- \- Decrease in third-party contractor costs of $6.5 million primarily due to a decrease in our use of third-party software developers
- \- Decrease in compensation costs other than stock-based compensation of $3.9 million primarily due to our targeted workforce reductions discussed above
- \+ Increase in stock-based compensation of $6.6 million primarily due to overall Company performance against 2023 goals and 2022 performance-based equity award adjustments, partially offset by the targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023

Not included in research and development expense for 2023 and 2022 were $60.7 million and $58.5 million, respectively, of qualifying costs associated with software and content development activities that are required to be capitalized under GAAP, such as those for our cloud solutions, as well as development costs associated with acquired companies. Qualifying capitalized software and content development costs associated with our cloud solutions and online educational courses are subsequently amortized to cost of recurring revenue over the related asset's estimated useful life, which generally range from three to seven years. We expect that the amount of software and content development costs capitalized will be relatively consistent in the near-term as we continue making investments in innovation, quality, security and the integration of our solutions, which we believe will drive long-term revenue growth.

General and administrative

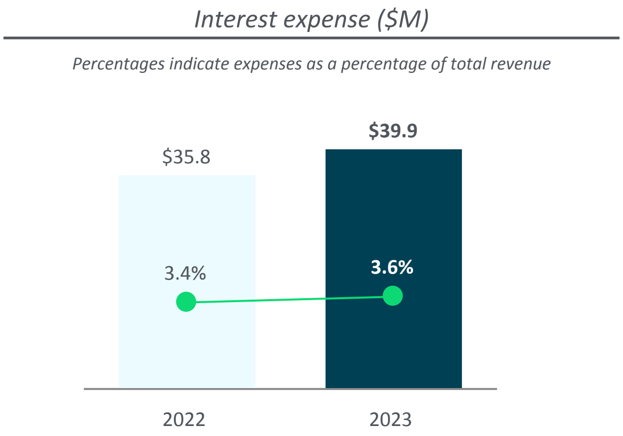
General and administrative expense consists primarily of compensation costs for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development, Security Incident-related expenses (including legal fees, settlements and loss contingency accruals),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

2023 vs. 2022

General and administrative expenses decreased by $10.0 million, or 5.0%. The decreases in dollars and as a percentage of total revenue were primarily driven by the following:

- \- Decrease in compensation costs other than stock-based compensation of $5.0 million primarily due to our targeted workforce reductions discussed above
- \- Decrease in third-party contractor costs of $2.7 million primarily due to our focus on cost management
- \- Decrease in Security Incident-related expenses of $2.3 million. See "Security Incident update" above on page 39
- \- A $2.3 million noncash impairment charge during the second quarter of 2022 against previously capitalized software development costs that reduced the carrying value of those assets to zero. The impairment charge resulted primarily from our decision to end customer support for certain solutions and did not reoccur in 2023
- \- Decrease in corporate costs of $1.3 million primarily related to the release of certain accrued tax liabilities due to favorable sales tax rulings, partially offset by an increase in bad debt expense
- \- Decrease in rent expense of $1.1 million
- \+ Increase in stock-based compensation costs of $5.2 million primarily due to overall Company performance against 2023 goals and 2022 performance-based equity award adjustments, partially offset by the targeted workforce reductions during the fourth quarter of 2022 and first quarter of 2023
- \+ Increase in acquisition and disposition-related costs of $1.3 million primarily related to the noncash impairment charges against certain operating lease right-of-use assets and property and equipment assets resulting from the sublease of our Washington, DC office location; partially offset by the release of $1.4 million in accrued contingent consideration related to our Kilter acquisition during the second quarter of 2023 and a $2.0 million noncash impairment of certain insignificant intangible assets that were held for sale during the second quarter of 2022 which did not reoccur in 2023

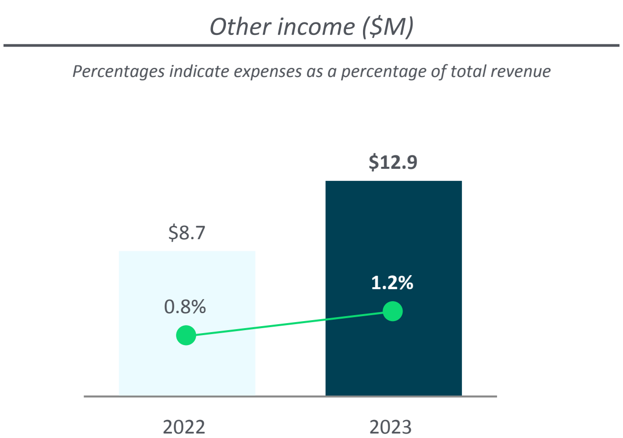
Interest Expense



2023 vs. 2022

Interest expense increased in dollars and as a percentage of total revenue during 2023 when compared to 2022, primarily due to an increase in our weighted average effective interest rates. We currently expect interest expense for the full year 2024 to be approximately $34 million to $38 million although our interest expense in connection with the variable rate portion of our outstanding debt could increase in a rising interest rate environment. See Note 10 to our consolidated financial statements in this report for more information regarding our derivative instruments, which we use to manage our variable interest rate risk, and Item 7A. Quantitative and Qualitative Disclosures about Market Risk: Interest Rate Risk on page 64 for more information about our variable interest rate exposure and related risk.

Other Income



2023 vs. 2022

Other income increased in dollars and as a percentage of total revenue during 2023 when compared to 2022, primarily due to an increase in interest income. Interest income increased primarily due to higher interest earned on restricted cash held and payable by us to customers for our payment processing solutions. See Note 8 to our consolidated financial statements in this report for more information regarding our other income.

Deferred Revenue

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

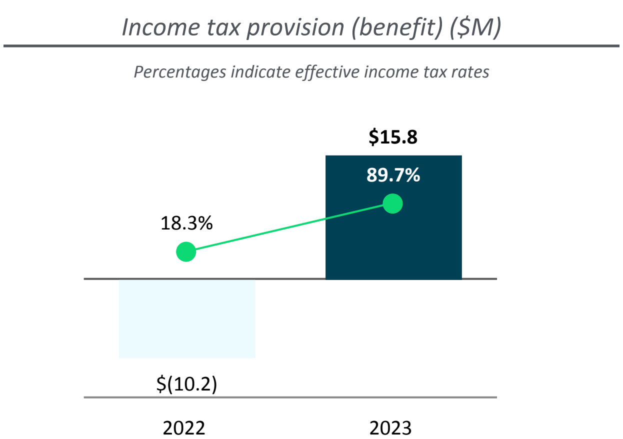
(dollars in millions)	December 31, 2023	December 31, 2022	Change
Total deferred revenue[1]	394.9	385.2	2.5 %
Less: Long-term portion	2.4	2.8	(14.9)%
Current portion[1]	$ 392.5	$ 382.4	2.6 %

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

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

The increase in deferred revenue during the year ended December 31, 2023 was primarily due to new subscription sales of our cloud solutions and progress in initiatives to bring our pricing in line with the market. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. Generally, our lowest balance of deferred revenue during the year is at the end of our first quarter.

Income Taxes



Our effective income tax rate may fluctuate quarterly and annually as a result of factors, including changes in tax law in jurisdictions where we conduct business, transactions entered into, changes in the geographic distribution of our earnings or losses, and our assessment of certain tax contingencies and valuation allowances.

We have deferred tax assets for federal, state, and international net operating loss carryforwards and tax credits. The federal and state net operating loss carryforwards are subject to various Internal Revenue Code limitations and applicable state tax laws. A portion of the foreign and state net operating loss carryforwards and a portion of state tax credits have a valuation reserve due to the uncertainty of realizing such carryforwards and credits in the future.

We file income tax returns in the U.S. for federal and various state jurisdictions as well as in foreign jurisdictions including Canada, the U.K., Australia, Ireland and Costa Rica. We are generally subject to U.S. federal income tax examination for calendar tax years ending 2020 through 2023, as well as state and foreign income tax examinations for various years depending on statute of limitations of those jurisdictions.

We have taken federal and state tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits may decrease within the next twelve months. The possible decrease could result from the expiration of statutes of limitations. The reasonably possible decrease at December 31, 2023 was insignificant.

We recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

2023 vs. 2022

The increase in our effective income tax rate for year ended December 31, 2023, when compared to the same period in 2022, was primarily attributable to higher 2023 non-deductible accruals for loss contingencies related to the Security Incident and other non-deductible expenses and tax rate changes, partially offset by increased tax credits. Furthermore, our 2023 effective tax rate was negatively impacted by higher tax rates in foreign jurisdictions in which we operate which were predominantly due to UK tax rate increases.

Non-GAAP Financial Measures

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

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

	Years ended December 31,	
(dollars in millions, except per share amounts)	**2023**	**2022**
GAAP Revenue	$ 1,105.4	$ 1,058.1
GAAP gross profit	$ 603.2	$ 552.7
GAAP gross margin	54.6 %	52.2 %
Non-GAAP adjustments:		
Add: Stock-based compensation expense	16.7	14.4
Add: Amortization of intangibles from business combinations	52.5	48.5
Add: Employee severance	0.8	2.1
Subtotal[1]	69.9	65.1
Non-GAAP gross profit[1]	$ 673.2	$ 617.8
Non-GAAP gross margin	60.9 %	58.4 %
GAAP income (loss) from operations	$ 44.7	$ (28.5)
GAAP operating margin	4.0 %	(2.7)%
Non-GAAP adjustments:		
Add: Stock-based compensation expense	127.8	110.3
Add: Amortization of intangibles from business combinations	55.6	51.4
Add: Employee severance	5.1	5.2
Add: Acquisition and disposition-related costs[2][3]	7.5	6.1
Add: Restructuring and other real estate activities	—	0.1
Add: Security Incident-related costs, net of insurance[4]	53.4	55.7
Add: Impairment of capitalized software development costs	—	2.3
Subtotal[1]	249.4	231.1
Non-GAAP income from operations[1]	$ 294.1	$ 202.6
Non-GAAP operating margin	26.6 %	19.1 %
GAAP income (loss) before provision (benefit) for income taxes	$ 17.6	$ (55.6)
GAAP net income (loss)	$ 1.8	$ (45.4)
Shares used in computing GAAP diluted earnings (loss) per share	53,721,342	51,569,148
GAAP diluted earnings (loss) per share	$ 0.03	$ (0.88)
Non-GAAP adjustments:		
Add: GAAP income tax provision (benefit)	15.8	(10.2)
Add: Total non-GAAP adjustments affecting income from operations	249.4	231.1
Non-GAAP income before provision for income taxes	267.0	175.5
Assumed non-GAAP income tax provision[5]	53.4	35.1
Non-GAAP net income[1]	$ 213.6	$ 140.4
Shares used in computing Non-GAAP diluted earnings per share	53,721,342	52,207,573
Non-GAAP diluted earnings per share	$ 3.98	$ 2.69

(1) The individual amounts for each year may not sum to subtotal, non-GAAP gross profit, non-GAAP income from operations, non-GAAP income before provision for income taxes or non-GAAP net income due to rounding.
(2) Includes a $2.0 million noncash impairment of certain intangible assets held for sale during the twelve months ended December 31, 2022.
(3) Includes noncash impairment charges incurred during the twelve months ended December 31, 2023 related to the sublease of our Washington, DC office location the lease of which was acquired during the EVERFI acquisition.
(4) Includes Security Incident-related costs incurred during the twelve months ended December 31, 2023 of $53.4 million, which includes approximately $31.0 million in settlements and recorded aggregate liabilities for loss contingencies, net of insurance recoveries during the same period of $0.0 million and during the twelve months ended December 31, 2022 of $57.6 million, which included approximately $23.0 million in recorded aggregate liabilities for loss contingencies, net of insurance recoveries during the same period of $1.9 million. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program. For full year 2024, we currently expect net pre-tax expense of approximately $5 million to $10 million and net cash outlays of approximately $8 million to $13 million for ongoing legal fees related to the Security Incident. In line with our policy, legal fees, are expensed as incurred. As of December 31, 2023, we have recorded approximately $1.5 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain customers related to the Security Incident that we believe we can reasonably estimate. In connection with the settlement of the multi-state Attorneys General investigation (as previously disclosed on October 5, 2023), we paid $49.5 million during the fourth quarter of 2023. There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of December 31, 2023 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgement, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.
(5) We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.

Beginning in 2024, we intend to update the non-GAAP tax rate we apply when calculating non-GAAP net income and non-GAAP diluted earnings per share in future periods. Since the first quarter of 2018, for the purposes of determining non-GAAP net income, we have utilized a non-GAAP tax rate of 20.0% in our calculation of the assumed non-GAAP income tax provision. We intend to adjust this rate to 24.5% to better reflect our periodic effective tax rate calculated in accordance with GAAP and our current expectations. The increase in our non-GAAP tax rate is primarily driven by increases in income tax rates in jurisdictions we operate in. Furthermore, as profitability increases, the effect of tax impacting items, including research and development credits, lessens such that our assumed non-GAAP tax rate moves closer to the statutory rate. The increase in our non-GAAP tax rate is primarily driven by increases in income tax rates in jurisdictions we operate in. Furthermore, as our non-GAAP profitability increases, the effect of tax impacting items lessens such that our assumed non-GAAP tax rate moves closer to the statutory tax rate. The non-GAAP tax rate utilized in future periods will be reviewed annually to determine whether it remains appropriate in consideration of our financial results including our periodic effective tax rate calculated in accordance with GAAP, our operating environment and related tax legislation in effect and other factors deemed necessary. All measures of the tax impact related to non-GAAP net income and non-GAAP diluted earnings per share included above are calculated under our historical methodology.

Non-GAAP organic revenue growth

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

	Years ended December 31,	
(dollars in millions)	**2023**	**2022**
GAAP revenue	$ 1,105.4	$ 1,058.1
GAAP revenue growth	**4.5 %**	
Less: Non-GAAP revenue from divested businesses(1)	—	(3.5)
Non-GAAP organic revenue(2)	$ 1,105.4	$ 1,054.6
Non-GAAP organic revenue growth	**4.8 %**	
Non-GAAP organic revenue(2)	1,105.4	1,054.6
Foreign currency impact on Non-GAAP organic revenue(3)	0.4	—
Non-GAAP organic revenue on constant currency basis(3)	$ 1,105.9	$ 1,054.6
Non-GAAP organic revenue growth on constant currency basis	**4.9 %**	
GAAP recurring revenue	$ 1,071.5	$ 1,011.7
GAAP recurring revenue growth	**5.9 %**	
Less: Non-GAAP recurring revenue from divested businesses(1)	—	(3.4)
Non-GAAP organic recurring revenue	$ 1,071.5	$ 1,008.3
Non-GAAP organic recurring revenue growth	**6.3 %**	
Non-GAAP organic recurring revenue(2)	$ 1,071.5	$ 1,008.3
Foreign currency impact on non-GAAP organic recurring revenue(3)	0.5	—
Non-GAAP organic recurring revenue on constant currency basis(3)	$ 1,072.0	$ 1,008.3
Non-GAAP organic recurring revenue growth on constant currency basis	**6.3 %**	

(1) Non-GAAP revenue from divested businesses excludes revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested business with the results of the combined company for the same period of time in both the prior and current periods.

(2) Non-GAAP organic revenue and non-GAAP organic recurring revenue for the prior year periods presented herein may not agree to non-GAAP organic revenue and non-GAAP organic recurring revenue presented in the respective prior period quarterly financial information solely due to the manner in which non-GAAP organic revenue growth and non-GAAP organic recurring revenue growth are calculated.

(3) To determine non-GAAP organic revenue growth and non-GAAP organic recurring revenue growth on a constant currency basis, revenues from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and Euro.

Rule of 40

We previously defined Rule of 40 as non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; employee severance; acquisition and disposition-related costs; restructuring and other real estate activities; Security Incident-related costs, net of insurance; and impairment of capitalized software development costs. Beginning in the fiscal quarter ended June 30, 2022, we now also include in non-GAAP adjusted EBITDA impairment of capitalized software and content development costs because we believe it is not directly related to our operating performance in any particular period.

	Years ended December 31,	
(dollars in millions)	**2023**	**2022**
GAAP net income (loss)	$ 1.8	$ (45.4)
Non-GAAP adjustments:		
Add: Interest, net	31.1	34.1
Add: GAAP income tax provision (benefit)	15.8	(10.2)
Add: Depreciation	13.0	14.1
Add: Amortization of intangibles from business combinations	55.6	51.4
Add: Amortization of software and content development costs[1]	45.3	39.0
Subtotal[2]	160.9	128.4
Non-GAAP EBITDA[2]	$ 162.7	$ 83.0
Non-GAAP EBITDA margin[3]	14.7 %	
Non-GAAP adjustments:		
Add: Stock-based compensation expense	127.8	110.3
Add: Employee severance	5.1	5.2
Add: Acquisition and disposition-related costs[4]	7.5	6.1
Add: Restructuring and other real estate activities	—	0.1
Add: Security Incident-related costs, net of insurance[4]	53.4	55.7
Add: Impairment of capitalized software development costs	—	2.3
Subtotal[2]	193.8	179.7
Non-GAAP Adjusted EBITDA[2]	$ 356.5	$ 262.6
Non-GAAP Adjusted EBITDA margin[5]	**32.2 %**	
Rule of 40[6]	**37.0 %**	
Non-GAAP adjusted EBITDA	356.5	262.6
Foreign currency impact on Non-GAAP adjusted EBITDA	—	6.3
Non-GAAP adjusted EBITDA on constant currency basis[7]	356.5	268.9
Non-GAAP adjusted EBITDA margin on constant currency basis[7]	**32.2 %**	
Rule of 40 on constant currency basis[8]	**37.1 %**	

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

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

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

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

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

	Years ended December 31,	
(dollars in millions)	**2023**	**2022**
GAAP net cash provided by operating activities	$ 199.6	$ 203.9
GAAP operating cash flow margin	18.1 %	19.3 %
Non-GAAP adjustments:		
Less: purchase of property and equipment	(4.7)	(12.3)
Less: capitalized software and content development costs	(59.4)	(58.8)
Non-GAAP free cash flow(1)	$ 135.5	$ 132.8
Non-GAAP free cash flow margin	12.3 %	12.6 %
Non-GAAP adjustments:		
Add: Security Incident-related cash flows, net of insurance	78.0	20.9
Non-GAAP adjusted free cash flow(1)	$ 213.5	$ 153.7
Non-GAAP adjusted free cash flow margin	19.3 %	14.5 %

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

Seasonality

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

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

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

Liquidity and Capital Resources

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

(dollars in millions)	December 31, 2023	December 31, 2022	Change
Cash and cash equivalents	$ 31.3	$ 31.7	(1.4)%
Property and equipment, net	98.7	107.4	(8.1)%
Software and content development costs, net	160.2	141.0	13.6 %
Total carrying value of debt	779.7	859.0	(9.2)%
Working capital	(267.4)	(312.0)	14.3 %

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

	Years ended December 31,		
(dollars in millions)	2023	2022	Change
Net cash provided by operating activities	$ 199.6	$ 203.9	(2.1)%
Net cash used in investing activities	(64.4)	(85.5)	(24.7)%
Net cash used in financing activities	(143.0)	(25.7)	456.5 %

Our principal sources of liquidity are our operating cash flow, funds available under the 2020 Credit Facility and cash on hand. Our operating cash flow depends on continued customer renewal of our subscription and maintenance arrangements, market acceptance of our solutions and services, the volume and size of transactions for which we process payments and our customers' ability to pay. Based on current estimates of revenue and expenses, we believe that the currently available sources of funds and anticipated cash flows from operations will be adequate for at least the next twelve months to finance our operations, fund anticipated capital expenditures and meet our debt obligations. We also believe that we will be able to continue to meet our long-term cash requirements due to our anticipated cash flow from operations, solid financial position and ability to access capital from financial markets. To the extent we undertake future material acquisitions, investments or unanticipated capital or operating expenditures, including in connection with the Security Incident, we may require additional capital. In that context, we regularly evaluate opportunities to enhance our capital structure, including through potential debt or equity issuances.

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

We resumed stock repurchases during the fourth quarter of 2023 under our then existing stock repurchase program that authorized us to purchase up to $250.0 million of our outstanding shares of common stock. On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $250.0 million to $500.0 million available for repurchases. The remaining amount available to purchase stock under the stock repurchase program was $499.4 million as of February 16, 2024. We plan to repurchase shares going forward to at least offset the dilution from our annual stock-based compensation and possibly beyond that amount as market conditions and our strategic plans permit. See additional details regarding our stock repurchase program below on page 56.

At December 31, 2023, our total cash and cash equivalents balance included approximately $13.2 million of cash that was held by operations outside the U.S. While these funds may not be needed to fund our U.S. operations for at least the next twelve months, if we need these funds, we may be required to accrue and pay taxes to repatriate the funds. We currently do not intend nor anticipate a need to repatriate our cash held outside the U.S.

Operating Cash Flow

Throughout 2023 and 2022, our cash flows from operations were derived principally from: (i) our earnings from on-going operations prior to non-cash expenses such as depreciation, amortization, stock-based compensation, deferred income taxes, amortization of deferred financing costs and debt discount and adjustments to our provision for credit losses and sales returns; and (ii) changes in our working capital.

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

2023 vs. 2022

Net cash provided by operating activities decreased by $4.3 million during the year ended December 31, 2023, when compared to the same period in 2022, primarily due to a $71.3 million increase in net income adjusted for non-cash expenses and a $75.5 million decrease in cash flow from operations associated with working capital.

The decrease in cash flow from operations associated with working capital during 2023, when compared to 2022, was primarily due to:

- fluctuations in the timing of vendor payments; and
- a decrease in accrued expenses related to the Security Incident.

Security Incident update

As discussed in Note 11 to our consolidated financial statements included in this report, total costs related to the Security Incident exceeded the limit of our insurance coverage in the first quarter of 2022. Accordingly, the Security Incident has negatively impacted, and we expect it to continue for the foreseeable future to negatively impact, our GAAP profitability and GAAP cash flow (see discussion regarding non-GAAP free cash flow and non-GAAP adjusted free cash flow on page 53). For full year 2023, we had net cash outlays of $78.0 million related to the Security Incident, which included ongoing legal fees, the $3.0 million civil penalty paid during the first quarter of 2023 related to the SEC settlement and the $49.5 million civil penalty paid during the fourth quarter of 2023 related to the multi-state Attorneys General settlement. For full year 2024, we currently expect net pre-tax expense of approximately $5.0 million to $10.0 million and net cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident.

As of December 31, 2023, we have recorded approximately $1.5 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain customers related to the Security Incident that we believe we can reasonably estimate in accordance with our loss contingency procedures described in Note 11. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of December 31, 2023 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgement, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Investing Cash Flow

During 2024, we expect our total capital expenditures, including estimated outlays for capitalized software development costs, to be between approximately $65.0 million and $75.0 million.

2023 vs. 2022

Net cash used in investing activities of $64.4 million decreased by $21.2 million during 2023, when compared to 2022.

During 2022, we received net cash of $6.4 million related to our disposition of Blackbaud FIMS™ and DonorCentral® NXT.

During 2022, we used $20.9 million of net cash for our acquisitions of EVERFI and Kilter, comprised primarily of (i) $17.4 million that had not been paid by EVERFI to its former option holders as of December 31, 2021, solely due to the timing of the acquisition on the last day of 2021; (ii) $2.9 million that was paid to acquire Kilter; and (iii) $2.6 million that was paid to a number of EVERFI's selling shareholders after determining they would be paid in cash, rather than shares of our common stock.

During 2023, we used $59.4 million for software and content development costs, which was up $0.7 million from cash spent during 2022. We also spent $4.7 million of cash for purchases of property and equipment during 2023, which was a decrease of $7.6 million from cash spent in 2022.

Financing Cash Flow

2023 vs. 2022

During 2023, we had a net decrease in borrowings of $81.4 million. During 2023, we repurchased $18.8 million of our common stock while we did not repurchase any of our common stock during 2022 (see additional details below regarding our stock repurchase program).

We paid $35.9 million to satisfy tax obligations of employees upon settlement or exercise of equity awards during 2023 compared to $36.4 million during 2022. The amount of taxes paid by us on behalf of employees related to the settlement or exercise of equity awards varies from period to period based upon the timing of grants and vesting, as well as the market price for shares of our common stock at the time of settlement. Most of our equity awards currently vest in our first quarter.

During 2023, cash flow from financing activities associated with changes in restricted cash due to customers decreased $6.8 million, compared to an increase of $111.4 million during 2022. This line in the statement of cash flows represents the change in the amount of restricted cash held and payable by us to customers from one period to the next. This restricted cash due to customers is not available to us for operational purposes.

Stock repurchase program

In December 2021, our Board of Directors reauthorized, expanded and replenished our stock repurchase program that authorizes us to purchase up to $250.0 million of our outstanding shares of common stock. The program does not have an expiration date. Under the stock repurchase program, we are authorized to repurchase shares from time to time in accordance with applicable laws both on the open market, including under trading plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and in privately negotiated transactions. The timing and amount of repurchases depends on several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. During the year ended December 31, 2023, we repurchased 221,836 shares for $18.8 million. The remaining amount available to purchase stock under the then approved stock repurchase program was $231.2 million as of December 31, 2023.

On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by raising the total capacity under the program from $250.0 million to $500.0 million available for repurchases. Between January 1, 2024 and January 17, 2024, we repurchased $22.3 million under the prior authorization. Between January 18, 2024 and February 16, 2024, we repurchased an additional 7,114 shares for $0.6 million under the new authorization. The remaining amount available to purchase stock under the stock repurchase program was $499.4 million as of February 16, 2024. We plan to repurchase shares going forward to at least offset the dilution from our annual stock-based compensation and possibly beyond that amount as market conditions and our strategic plans permit.

2020 Credit Facility

Historically, we have drawn on our credit facility from time to time to help us meet financial needs primarily due to the seasonality of our cash flows from operations and financing for business acquisitions. At December 31, 2023, our available borrowing capacity under the 2020 Credit Facility was $384.5 million. The 2020 Credit Facility matures in October 2025.

At December 31, 2023, the carrying amount of our debt under the 2020 Credit Facility was $720.6 million. Our average daily borrowings were $760.2 million during 2023.

The term loans under the 2020 Credit Facility and our other debt require periodic principal payments. The balance of the term loans and any amounts drawn on the revolving credit loans are due upon maturity of the 2020 Credit Facility in October 2025. Certain real estate loans (as described in Note 9 to our audited consolidated financial statements included in this report) also require periodic principal payments and the balances of the real estate loans are due upon maturity in April 2038.

The following is a summary of the financial covenants under the 2020 Credit Facility:

Financial Covenant	Requirement	Ratio as of December 31, 2023
Net Leverage Ratio[(1)]	≤ 4.00 to 1.00	1.97 to 1.00
Interest Coverage Ratio	≥ 2.50 to 1.00	9.67 to 1.00

(1) Under the terms of the 2020 Credit Facility, the Net Leverage Ratio requirement may be increased by up to 0.50 provided we satisfy certain requirements, including a permitted business acquisition, and provided that the maximum Net Leverage Ratio shall not exceed 4.25 to 1.00.

Under the 2020 Credit Facility, we also have restrictions on our ability to declare and pay dividends and our ability to repurchase shares of our common stock. In order to pay any cash dividends and/or repurchase shares of stock: (i) no default or event of default shall have occurred and be continuing under the 2020 Credit Facility, and (ii) our pro forma net leverage ratio, as set forth in the 2020 Credit Facility, must be 0.25 less than the net leverage ratio requirement at the time of dividend declaration or stock repurchase. At December 31, 2023, we were in compliance with our debt covenants under the 2020 Credit Facility. See Note 9 to our consolidated financial statements included in this report for additional information regarding the 2020 Credit Facility.

Commitments and Contingencies

As of December 31, 2023, we had contractual obligations with future minimum commitments as follows:

	Payments due by period		
(in millions)	Less than 1 year	More than 1 year	Total[(1)]
Recorded contractual obligations:			
Debt	$ 19.3	$ 761.9	$ 781.1
Operating leases	8.7	46.8	55.5
Interest payments on debt	—	5.5	5.5
Contingent consideration	—	1.4	1.4
Unrecorded contractual obligations:			
Purchase obligations	88.1	169.5	257.6
Interest payments on debt	35.1	55.9	90.9
Total contractual obligations[(1)]	$ 151.1	$ 1,040.9	$ 1,192.0

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

Debt

As of December 31, 2023, we had total remaining principal payments of $781.1 million. These payments represent principal payments only, under the following assumptions: (i) that the amounts outstanding under the 2020 Credit Facility, our real estate loans and our other debt at December 31, 2023 will remain outstanding until maturity, with minimum payments occurring as currently scheduled, and (ii) that there are no assumed future borrowings on the 2020 Revolving Facility for the purposes of determining minimum commitment amounts. See Note 9 to our consolidated financial statements in this report for more information.

Interest payments on debt

In addition to principal payments, as of December 31, 2023, we expect to pay interest expense over the life of our debt obligations of approximately $96.4 million. These payments represent our estimated future interest payments on debt using our debt balances and the related weighted average effective interest rates as of December 31, 2023, which includes the effect of interest rate swap agreements. The actual interest expense recognized in our consolidated statements of comprehensive income will depend on the amount of debt, the length of time the debt is outstanding and the interest rate, which could be different from our assumptions on our remaining principal payments described above.

Operating leases

As of December 31, 2023, we had remaining operating lease payments of $55.5 million. These payments have not been reduced by sublease income, incentive payments, reimbursement of leasehold improvements or the amount representing imputed interest of $8.7 million. Our operating leases are generally for corporate offices, subleased offices and certain equipment and furniture. Given our remote-first workforce strategy and real estate footprint optimization efforts, as discussed above, we do not anticipate entering any new, material operating leases for offices for the foreseeable future. See Note 11 to our consolidated financial statements in this report for more information.

Purchase obligations

As of December 31, 2023, we had remaining purchase obligations of $257.6 million. These purchase obligations are for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. Our purchase obligations are not recorded as liabilities on our consolidated balance sheets as of December 31, 2023, as we had not received the related services. See Note 11 to our consolidated financial statements in this report for more information.

The total liability for uncertain tax positions as of December 31, 2023 was $3.2 million. Our accrued interest and penalties related to tax positions taken on our tax returns was insignificant as of December 31, 2023.

In connection with the settlement of the multi-state Attorneys General investigation relating to the Security Incident, as discussed in Note 11 to our consolidated financial statements in this report, we have agreed to implement and improve certain of our cybersecurity programs and tools through October 2030. The currently anticipated costs in connection with these efforts are expected to be expensed as incurred.

Contingent consideration

In connection with our acquisition of Kilter, we are obligated to pay contingent consideration upon the achievement of certain milestones. For information regarding our contingent consideration obligations, see Note 3 to our consolidated financial statements in this report.

Foreign Currency Exchange Rates

Approximately 14% of our total revenue for 2023 was generated from operations outside the U.S. We do not have significant operations in countries in which the economy is considered to be highly inflationary. Our consolidated financial statements are denominated in U.S. dollars and, accordingly, changes in the exchange rate between foreign currencies and the U.S. dollar will affect the translation of our subsidiaries' financial results into U.S. dollars for purposes of reporting our consolidated financial results. The accumulated currency translation adjustment, recorded within accumulated other comprehensive (loss) income as a component of stockholders' equity, was a loss of $9.8 million as of December 31, 2023 and a loss of $14.9 million as of December 31, 2022. We have entered into foreign currency forward contracts to hedge a portion of the foreign currency exposure that arises on translation of our investments denominated in British Pounds into U.S. dollars.

The vast majority of our contracts are entered into by our U.S. or U.K. entities. The contracts entered into by the U.S. entity are almost always denominated in U.S. dollars or Canadian dollars, and contracts entered into by our U.K., Australian and Irish subsidiaries are generally denominated in British Pounds, Australian dollars and Euros, respectively. Historically, as the U.S. dollar weakened, foreign currency translation resulted in an increase in our revenues and expenses denominated in non-U.S. currencies. Conversely, as the U.S. dollar strengthened, foreign currency translation resulted in a decrease in our revenues and expenses denominated in non-U.S. currencies. During 2023, foreign translation had an insignificant impact on our revenues and expenses denominated in non-U.S. currencies. Though we have exposure to fluctuations in currency exchange rates, primarily those between the U.S. dollar and both the British Pound and Canadian dollar, the impact has generally not been material to our consolidated results of operations or financial position. During 2023, the fluctuation in foreign currency exchange rates impacted our total revenue and our income from operations by insignificant amounts. We have entered into foreign currency forward contracts to hedge revenues denominated in the Canadian dollar against changes in the exchange rate with the U.S. dollar. We will continue monitoring such exposure and take action as appropriate. To determine the impacts on revenue (or income from operations) from fluctuations in currency exchange rates, current period revenues (or income from operations) from entities reporting in foreign currencies were translated into U.S. dollars using the comparable prior year period's weighted average foreign currency exchange rates. These impacts are non-GAAP financial information and are not in accordance with, or an alternative to, information prepared in accordance with GAAP.

Critical Accounting Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we reconsider and evaluate our estimates and assumptions.

We base our estimates on historical experience, current trends and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could materially differ from any of our estimates under different assumptions or conditions. Our significant accounting policies are discussed in Note 2 to our consolidated financial statements in this report. We believe the accounting estimates listed below are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
See Note 2 to our consolidated financial statements in this report for a complete discussion of our revenue recognition policies. Revenues are recognized when control of our services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. We determine revenue recognition through the following steps: (1) Identification of the contract, or contracts, with a customer; (2) Identification of the performance obligations in the contract; (3) Determination of the transaction price; (4) Allocation of the transaction price to the performance obligations in the contract; and (5) Recognition of revenue when, or as, we satisfy a performance obligation. We have not made any material changes in the accounting methodology we use to recognize revenue during the year ended December 31, 2023.	Our revenue recognition accounting methodology may contain uncertainties because it could require us to make significant estimates and assumptions, and to apply judgment for certain customer contracts. For example, for certain arrangements that have multiple performance obligations, we may need to exercise judgment and use estimates in order to (1) determine whether performance obligations are distinct and should be accounted for separately; (2) determine the standalone selling price of each performance obligation; (3) allocate the transaction price among the various performance obligations on a relative standalone selling price basis; and (4) determine whether revenue for each performance obligation should be recognized at a point in time or over time.	If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of revenue or deferred revenue that we report in a particular period.

Business Combinations

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
We allocate the purchase price of an acquired business to its identifiable assets acquired and liabilities assumed at the acquisition date based upon their estimated fair values. The excess of the purchase price over the amount allocated to the identifiable assets acquired and liabilities assumed, if any, is recorded as goodwill. We use available information to estimate fair values. We typically engage outside appraisal firms to assist in the fair value determination of long-lived and identifiable intangible assets, and any other significant assets or liabilities. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date as we obtain new information about facts and circumstances that existed as of the closing date. We have not made any material changes in the accounting methodology we use for business combinations during the year ended December 31, 2023.	Our purchase price allocation methodology contains uncertainties because it requires us to make significant estimates and assumptions, and to apply judgment to estimate the fair value of assets acquired and liabilities assumed, especially with respect to long-lived and intangible assets. Management estimates the fair value of assets acquired and liabilities assumed based on quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows, market multiple analyses and replacement cost. We apply significant judgement in estimating the fair value of intangible assets acquired, which involves the use of significant assumptions. Significant assumptions used in the valuation of customer relationships include future revenue and operating expenses, customer attrition rates, contributory asset charges, tax amortization benefit, and discount rates. Significant assumptions used in the valuation of certain developed technology assets include future revenue, proprietary technology obsolescence curve, royalty rate, and discount rate. Significant assumptions used in the valuation of marketing assets include assumptions about the period of time the brand will continue to be valuable, royalty rate, and discount rate. Significant assumptions used in the valuation of content intangible assets include cost-based assumptions. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable, and unanticipated events and changes in circumstances may occur.	If actual results are materially different than the assumptions we used to determine fair value of the assets acquired and liabilities assumed through a business combination as well as the estimated useful lives of the acquired intangible assets, it is possible that adjustments to the carrying values of such assets and liabilities will have a material impact on our financial position and results of operations. See Note 3 to our consolidated financial statements in this report for information regarding our business acquisitions.

Income Taxes

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
We make estimates and judgments in accounting for income taxes. Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. We measure and recognize uncertain tax positions. To recognize uncertain tax positions, we must first determine if it is more likely than not that the position will be sustained upon audit. We must then measure the benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We make estimates in determining tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial reporting purposes. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized. We have not made any material changes in the accounting methodology we use to assess income tax during the year ended December 31, 2023.	The calculation of our income tax provision requires estimates due to transactions, credits and calculations where the ultimate tax determination is uncertain. Uncertainties arise as a consequence of the actual source of taxable income between domestic and foreign locations, the outcome of tax audits and the ultimate utilization of tax credits. Our effective income tax rate is also affected by changes in the geographic distribution of our earnings or losses, changes in tax law in jurisdictions where we conduct business. Significant judgment is required in the identification and measurement of uncertain tax positions. Our liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions. In assessing the adequacy of a recorded valuation allowance significant judgment is required. We consider all positive and negative evidence and a variety of factors including the scheduled reversal of deferred tax liabilities, historical and projected future taxable income, and prudent and feasible tax planning strategies.	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material. To the extent actual results differ from estimated amounts recorded, such differences will impact the income tax provision in the period in which the determination is made. If we determine there is less than a 50% likelihood that we will be able to use a deferred tax asset in the future in excess of its net carrying value, then an adjustment to the deferred tax asset valuation allowance is made to increase income tax expense, thereby reducing net income in the period such determination was made.

Long-lived Assets and Intangible Assets Other Than Goodwill

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
We review our long-lived assets and intangible assets other than goodwill for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If such events or changes in circumstances occur, we use the undiscounted cash flow method to determine whether our long-lived and intangible assets other than goodwill are impaired. To the extent that the carrying value of the asset or asset group exceeds the undiscounted cash flows over the estimated remaining life of the asset, we measure the impairment using discounted cash flows. We have not made any material changes in the accounting methodology we use to assess impairment loss during the year ended December 31, 2023.	In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of cash flows from other asset groups. When measuring impairment of an asset or asset group using discounted cash flows, we make assumptions and apply judgment in estimating future cash flows and asset or asset group fair values, including annual revenue growth rates, a terminal year growth rate and selecting a discount rate that reflects the risk inherent in future cash flows.	During 2023, we recorded immaterial noncash impairment charges against certain operating lease ROU assets and certain property and equipment assets. For additional information, see Notes 7 and 11 to our consolidated financial statements in this report. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to assess impairment losses. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could materially adversely impact our consolidated financial position and results of operations.

Loss Contingencies

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
We are subject to the possibility of various loss contingencies, including legal proceedings and claims, that arise in the normal course of business, as well as certain other non-ordinary course proceedings, claims and investigations, as described in Note 11 to the consolidated financial statements in this report. We record an accrual for a loss contingency when it is both probable that a material liability has been incurred and the amount of the loss can be reasonably estimated. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For proceedings in which an unfavorable outcome is reasonably possible but not probable and an estimate of the loss or range of losses arising from the proceeding can be made, we disclose such an estimate, if material. If such a loss or range of losses is not reasonably estimable, we disclose that fact. We have not made any material changes in the accounting methodology we use to assess loss contingencies during the year ended December 31, 2023.	We review any such loss contingency accruals at least quarterly and adjust them to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and the estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions that have been deemed reasonable by us.	With the exception of the 2020 Security Incident, we do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to determine loss contingencies. However, if facts and circumstances change in the future that change our belief regarding assumptions used to determine our estimates, we may be exposed to losses that could be material. Although we believe we have substantial defenses in these matters, we could incur judgments or enter into settlements of claims that could have a material adverse effect on our consolidated financial position, results of operations or cash flows in any particular period. For additional information, see Note 11 to our consolidated financial statements in this report.

Recently Issued Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Our variable rate debt is our primary financial instrument with market risk exposure for changing interest rates. We manage our variable rate interest rate risk through a combination of short-term and long-term borrowings and the use of derivative instruments entered into for hedging purposes. Additionally, our interest income that we primarily earn on restricted cash held and payable by us to customers for our payment processing solutions acts as a partial natural hedge against our interest rate risk. Our interest rate exposure includes SOFR rates. Because the Financial Conduct Authority in the U.K. previously stated that it would phase out all tenors of LIBOR by June 2023, we modified our financial contracts that were indexed to LIBOR to reference SOFR during 2022. These modifications did not have a significant financial impact. Due to the nature of our debt, the materiality of the fair values of the derivative instruments and the highly liquid, short-term nature and level of our cash and cash equivalents as of December 31, 2023, we believe that the risk of exposure to changing interest rates for those positions is immaterial. There were no significant changes in how we manage interest rate risk between December 31, 2022 and December 31, 2023.

Foreign Currency Risk

For a discussion of our exposure to foreign currency exchange rate fluctuations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Foreign Currency Exchange Rates” in Item 7 of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BLACKBAUD, INC.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Blackbaud, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of comprehensive loss, cash flows, and stockholders' equity for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2024, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Revenue Recognition - Payment Processing Services
Description of the Matter	The Company recorded transactional recurring revenues of $333 million for the year ended December 31, 2023. Included in transactional recurring revenues are revenues related to payment processing services provided to customers that enable donations and the purchase of goods and services. As discussed in Note 2 to the consolidated financial statements, the Company recognizes revenue for payment processing services over time based on the amount billable to the customer since it has the right to invoice the customer in an amount that directly corresponds with the value to the customer for the Company's performance to date. The processing of transactions and recording of revenues for these services involves a significant volume of transactions that are highly automated and are based on contractual terms with the customer and the Company's third-party vendors. Auditing the revenues for these payment processing services is complex because the processes are highly automated and involve multiple IT systems with a significant volume of transactions and related underlying data. Further, auditing the revenues for these payment processing services required the involvement of data professionals to assist in validating the integrity of the underlying data and recalculating the revenues recorded during the period.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company’s controls over its payment processing services provided to customers that enable donations and the purchase of goods and services. We identified the relevant systems used in these payment processing services, including relevant third-party service organization systems, and evaluated the IT general controls over each of these systems. We also tested the relevant automated controls and other business processes controls. To test revenue recognized for payment processing services, our procedures included, among others, the involvement of data professionals to recalculate the revenue recognized. For a selection of payment processing transactions, we also agreed the amount of revenues recognized for processing fees retained by the Company to source documents and tested the mathematical accuracy of the recorded revenue. We also evaluated if the transactions were processed, and funds received prior to December 31, 2023, including sending confirmations directly to financial institutions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2021.

Raleigh, North Carolina
February 21, 2024

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Blackbaud, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Blackbaud, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive loss, cash flows, and stockholders' equity for the two years in the period ended December 31, 2023, and the related notes and our report dated February 21, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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/ Ernst & Young LLP

Raleigh, North Carolina
February 21, 2024

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the consolidated statements of comprehensive (loss) income, of stockholders' equity and of cash flows of Blackbaud, Inc. and its subsidiaries (the "Company") for the year ended December 31, 2021 including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
March 1, 2022

We served as the Company's auditor from 2000 to 2022.

Blackbaud, Inc.
Consolidated Balance Sheets

(dollars in thousands, except per share amounts)	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 31,251	$ 31,691
Restricted cash	697,006	702,240
Accounts receivable, net of allowance of $6,907 and $7,318 at December 31, 2023 and December 31, 2022, respectively	101,862	102,809
Customer funds receivable	353	249
Prepaid expenses and other current assets	99,285	81,654
Total current assets	929,757	918,643
Property and equipment, net	98,689	107,426
Operating lease right-of-use assets	36,927	45,899
Software and content development costs, net	160,194	141,023
Goodwill	1,053,738	1,050,272
Intangible assets, net	581,937	635,136
Other assets	51,037	94,304
Total assets	$ 2,912,279	$ 2,992,703
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 25,184	$ 42,559
Accrued expenses and other current liabilities	64,322	86,002
Due to customers	695,842	700,860
Debt, current portion	19,259	18,802
Deferred revenue, current portion	392,530	382,419
Total current liabilities	1,197,137	1,230,642
Debt, net of current portion	760,405	840,241
Deferred tax liability	93,292	125,759
Deferred revenue, net of current portion	2,397	2,817
Operating lease liabilities, net of current portion	40,085	44,918
Other liabilities	10,258	4,294
Total liabilities	2,103,574	2,248,671
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; 69,188,304 and 67,814,044 shares issued at December 31, 2023 and December 31, 2022, respectively; 53,625,440 and 53,068,814 shares outstanding at December 31, 2023 and December 31, 2022, respectively	69	68
Additional paid-in capital	1,203,012	1,075,264
Treasury stock, at cost; 15,562,864 and 14,745,230 shares at December 31, 2023 and December 31, 2022, respectively	(591,557)	(537,287)
Accumulated other comprehensive (loss) income	(1,688)	8,938
Retained earnings	198,869	197,049
Total stockholders' equity	808,705	744,032
Total liabilities and stockholders' equity	$ 2,912,279	$ 2,992,703

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

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

(dollars in thousands, except per share amounts)	Years ended December 31, 2023	2022	2021
Revenue			
Recurring	$ 1,071,520	$ 1,011,733	$ 880,850
One-time services and other	33,912	46,372	46,890
Total revenue	1,105,432	1,058,105	927,740
Cost of revenue			
Cost of recurring	470,455	463,449	390,803
Cost of one-time services and other	31,733	41,940	52,392
Total cost of revenue	502,188	505,389	443,195
Gross profit	603,244	552,716	484,545
Operating expenses			
Sales, marketing and customer success	212,158	221,455	186,314
Research and development	153,304	156,913	124,573
General and administrative	189,938	199,908	146,262
Amortization	3,139	2,925	2,227
Restructuring	—	—	263
Total operating expenses	558,539	581,201	459,639
Income (loss) from operations	44,705	(28,485)	24,906
Interest expense	(39,922)	(35,803)	(18,003)
Other income, net	12,861	8,713	180
Income (loss) before provision for income taxes	17,644	(55,575)	7,083
Income tax provision (benefit)	15,824	(10,168)	1,385
Net income (loss)	$ 1,820	$ (45,407)	$ 5,698
Earnings (loss) per share			
Basic	$ 0.03	$ (0.88)	$ 0.12
Diluted	$ 0.03	$ (0.88)	$ 0.12
Common shares and equivalents outstanding			
Basic weighted average shares	52,546,406	51,569,148	47,412,306
Diluted weighted average shares	53,721,342	51,569,148	48,230,438
Other comprehensive (loss) income			
Foreign currency translation adjustment	$ 5,049	$ (16,160)	$ 661
Unrealized (loss) gain on derivative instruments, net of tax	(15,675)	18,576	8,358
Total other comprehensive (loss) income	(10,626)	2,416	9,019
Comprehensive (loss) income	$ (8,806)	$ (42,991)	$ 14,717

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

Blackbaud, Inc.
Consolidated Statements of Cash Flows

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Cash flows from operating activities			
Net income (loss)	$ 1,820	$ (45,407)	$ 5,698
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	109,487	102,369	82,410
Provision for credit losses and sales returns	4,500	6,066	11,450
Stock-based compensation expense	127,762	110,294	120,379
Deferred taxes	(24,368)	(26,644)	(2,429)
Amortization of deferred financing costs and discount	1,775	2,364	1,570
Other non-cash adjustments	5,023	5,676	10,490
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:			
Accounts receivable	(3,237)	(7,340)	(6,525)
Prepaid expenses and other assets	16,851	26,235	(2,048)
Trade accounts payable	(18,576)	21,607	(9,670)
Accrued expenses and other liabilities	(30,275)	(2,386)	(8,190)
Deferred revenue	8,872	11,059	10,526
Net cash provided by operating activities	199,634	203,893	213,661
Cash flows from investing activities			
Purchase of property and equipment	(4,685)	(12,289)	(11,664)
Capitalized software and content development costs	(59,443)	(58,774)	(40,489)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(13)	(20,912)	(419,120)
Cash received in sale of business	—	6,426	—
Other investing activities	(250)	—	—
Net cash used in investing activities	(64,391)	(85,549)	(471,273)
Cash flows from financing activities			
Proceeds from issuance of debt	293,200	211,000	582,200
Payments on debt	(374,595)	(310,740)	(152,971)
Debt issuance costs	—	—	(3,106)
Stock issuance costs	—	(1,339)	—
Employee taxes paid for withheld shares upon equity award settlement	(35,867)	(36,376)	(39,404)
Change in due to customers	(6,812)	111,386	(13,464)
Change in customer funds receivable	(60)	380	(731)
Purchase of treasury stock	(18,831)	—	(108,416)
Net cash (used in) provided by financing activities	(142,965)	(25,689)	264,108
Effect of exchange rate on cash, cash equivalents and restricted cash	2,048	(10,486)	297
Net (decrease) increase in cash, cash equivalents and restricted cash	(5,674)	82,169	6,793
Cash, cash equivalents and restricted cash, beginning of year	733,931	651,762	644,969
Cash, cash equivalents and restricted cash, end of year	$ 728,257	$ 733,931	$ 651,762
Supplemental disclosure of cash flow information			
Cash paid for interest	$ (38,052)	$ (33,371)	$ (16,386)
Cash (paid) for taxes, net of refunds	(35,619)	(9,670)	(10,073)
Non-cash investing and financing activities:			
Purchase of EVERFI through the issuance of stock (see Note 3)	—	—	(303,633)
Purchase of software and services by assuming directly related liabilities	(2,491)	(1,710)	—
Purchase of equipment and other assets included in accounts payable	(837)	(158)	(1,747)

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the 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)	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 31,251	$ 31,691
Restricted cash	697,006	702,240
Total cash, cash equivalents and restricted cash in the statement of cash flows	$ 728,257	$ 733,931

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

Blackbaud, Inc.
Consolidated Statements of Stockholders' Equity

(dollars in thousands)	Common stock Shares	Common stock Amount	Treasury stock Shares	Treasury stock Amount	Additional paid-in capital	Accumulated other comprehensive (loss) income	Retained earnings	Total stockholders' equity
Balance at December 31, 2020	60,904,638	$ 61	(12,054,268)	$ (353,091)	$ 544,963	$ (2,497)	$ 236,714	$ 426,150
Net income	—	—	—	—	—	—	5,698	5,698
Common stock issued in purchase of EVERFI (see Note 3)	3,844,423	4	—	—	303,629	—	—	303,633
Purchase of treasury shares under stock repurchase program	—	—	(1,592,933)	(108,416)	—	—	—	(108,416)
Vesting of restricted stock units	1,014,562	1	—	—	—	—	—	1
Shares withheld to satisfy tax withholdings	—	—	(535,604)	(39,404)	—	—	—	(39,404)
Stock-based compensation	—	—	—	—	120,335	—	44	120,379
Restricted stock grants	596,763	—	—	—	—	—	—	—
Restricted stock cancellations	(194,720)	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	9,019	—	9,019
Balance at December 31, 2021	66,165,666	$ 66	(14,182,805)	$ (500,911)	$ 968,927	$ 6,522	$ 242,456	$ 717,060
Net loss	—	—	—	—	—	—	(45,407)	(45,407)
Stock issuance costs related to purchase of EVERFI (see Note 3)	—	—	—	—	(1,352)	—	—	(1,352)
Retirements of common stock(1)	(33,535)	—	—	—	(2,605)	—	—	(2,605)
Vesting of restricted stock units	1,015,304	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(562,425)	(36,376)	—	—	—	(36,376)
Stock-based compensation	—	—	—	—	110,294	—	—	110,294
Restricted stock grants	846,295	2	—	—	—	—	—	2
Restricted stock cancellations	(179,686)	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	2,416	—	2,416
Balance at December 31, 2022	67,814,044	$ 68	(14,745,230)	$ (537,287)	$ 1,075,264	$ 8,938	$ 197,049	$ 744,032
Net income	—	—	—	—	—	—	1,820	1,820
Retirements of common stock(1)	(143)	—	—	—	(14)	—	—	(14)
Purchase of treasury shares under stock repurchase program	—	—	(221,836)	(18,831)	—	—	—	(18,831)
Vesting of restricted stock units	1,007,921	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholdings	—	—	(595,798)	(35,439)	—	—	—	(35,439)
Stock-based compensation	—	—	—	—	127,762	—	—	127,762
Restricted stock grants	473,341	1	—	—	—	—	—	1
Restricted stock cancellations	(106,859)	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(10,626)	—	(10,626)
Balance at December 31, 2023	69,188,304	$ 69	(15,562,864)	$ (591,557)	$ 1,203,012	$ (1,688)	$ 198,869	$ 808,705

(1) Represents shares retired after determining certain EVERFI's selling shareholders would be paid in cash, rather than shares of our common stock. See Note 3 for additional information regarding our acquisition of EVERFI.

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

1. Organization

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

2. Basis of Presentation

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”).

Basis of consolidation

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

Use of estimates

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

Recently adopted accounting pronouncements

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update 2022-04, *Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* ("ASU 2022-04"). This update requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose key terms of the programs and information about obligations outstanding at the end of the reporting period, including a rollforward of those obligations. The guidance does not affect the recognition, measurement, or financial statement presentation of supplier finance programs. We adopted ASU 2022-04 on January 1, 2023 and the adoption did not have a material impact on our condensed consolidated financial statements.

Recently issued accounting pronouncements

There are no recently issued accounting pronouncements that are expected to have a material impact on our financial position or results of operations when adopted in the future.

Summary of significant accounting policies

Revenue recognition

Our revenue is primarily generated from the following sources: (i) charging for the use of our software solutions in cloud and hosted environments; (ii) providing payment and transaction services; and (iii) providing Impact-as-a-Service™ digital educational content. Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

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

Contractual recurring

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

Contractual recurring revenue represents stand-ready performance obligations in which we are making our solutions or services available to our customers continuously over time or the value of the contract renews. Therefore, recurring revenue is generally recognized over time on a ratable basis over the contract term, beginning on the date that the solution or service is made available to the customer. Our recurring revenue contracts are generally for a term of three years at contract inception with three-year renewals thereafter, billed annually in advance and non-cancelable.

Transactional recurring

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

Our payment services are offered with the assistance of third-party vendors. In general, when we are the principal in a transaction based on the factors identified in ASC 606-10-55-36 through 55-40, we record the revenue and related costs on a gross basis. Otherwise, we net the cost of revenue associated with the service against the gross revenue (amount withheld for the transaction fees) and record the net amount as revenue. For payment and transaction services, we have the right to invoice the customer in an amount that directly corresponds with the value to the customer of our performance to date. Therefore, we recognize revenue for these services over time based on the amount we withhold for the transaction fees in accordance with the 'as invoiced' practical expedient in ASC 606-10-55-18.

One-time services and other

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

We generally bill consulting services based on hourly rates plus reimbursable travel-related expenses. Fixed price consulting engagements are generally billed as milestones towards completion are reached. Revenue for one-time consulting services is generally recognized over time as the services are performed.

Fees for retained and managed services contracts are generally billed in advance and recognized over time on a ratable basis over the contract term, beginning on the date the service is made available to the customer.

Contracts with multiple performance obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices of our solutions and services are typically estimated based on observable transactions when the solutions or services are sold on a standalone basis.

Blackbaud, Inc.
Notes to Consolidated Financial Statements

Costs of obtaining contracts, contract assets and deferred revenue

We pay sales commissions at the time contracts with customers are signed or shortly thereafter, depending on the size and duration of the sales contract. Sales commissions and related fringe benefits earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized in a manner that aligns with the expected period of benefit, which we have historically determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, including renewals, retention, our technology and other factors. We generally do not pay commissions for contract renewals that are commensurate with the commission paid on the initial contract. The related amortization expense is included in sales, marketing and customer success expense in our consolidated statements of comprehensive income.

A contract asset is recorded when revenue is recognized in advance of our right to receive consideration (i.e., we must satisfy additional performance obligations in order to receive consideration). Amounts are recorded as receivables when our right to consideration is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Our contract assets are recorded within prepaid expenses and other current assets on our consolidated balance sheets. To the extent that our customers are billed for our solutions and services in advance of us satisfying the related performance obligations, we record such amounts in deferred revenue.

Sales taxes

We present sales taxes and other taxes collected from customers and remitted to governmental authorities on a net basis and, as such, exclude them from revenues.

Fair value measurements

We measure certain financial assets and liabilities at fair value on a recurring basis, including derivative instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. We use a three-tier fair value hierarchy to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

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

Our financial assets and liabilities are classified in their entirety within the hierarchy based on the lowest level of input that is significant to fair value measurement. Changes to a financial asset's or liability's level within the fair value hierarchy are determined as of the end of a reporting period. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Derivative instruments

We generally use derivative instruments to manage interest rate and foreign currency exchange risk. We view derivative instruments as risk management tools and do not use them for trading or speculative purposes. Our policy requires that derivatives used for hedging purposes be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in the fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

We record all derivative instruments on our consolidated balance sheets at fair value as either an asset or liability. If the derivative is designated as a cash flow hedge, the effective portions of the changes in fair value of the derivative are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. If the derivative is designated as a net investment hedge, the effective portions of the changes in fair value of the derivative are recorded to translation adjustment, a component of other comprehensive income, and recognized in earnings only when the hedged investment is liquidated. Ineffective portions of the changes in the fair value of cash flow hedges are recognized currently in earnings. See Note 10 to these consolidated financial statements for further discussion of our derivative instruments.

Cash and cash equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less and cash items in transit to be cash equivalents.

Restricted cash due to customers; Customer funds receivable; Due to customers

Restricted cash due to customers consists of monies collected by us (or in transit) and payable to our customers, net of the associated transaction fees earned. Monies associated with amounts due to customers are segregated in separate bank accounts and used exclusively for the payment of amounts due to customers. This usage restriction is either legally or internally imposed and reflects our intention with regard to such deposits. Customer funds receivable consists of monies we expect to collect and remit to our customers.

Concentration of credit risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, restricted cash due to customers and accounts receivable. Our cash and cash equivalents and restricted cash due to customers are placed with high credit-quality financial institutions. Our accounts receivable is derived from sales to customers. With respect to accounts receivable, we perform ongoing evaluations of our customers and maintain an allowance for credit losses based on historical experience and our expectations of future credit losses. As of and for the years ended December 31, 2023, 2022 and 2021, there were no significant concentrations with respect to our consolidated revenues or accounts receivable.

Property and equipment

We record property and equipment assets at cost and depreciate them over their estimated useful lives using the straight-line method. Leasehold improvements are depreciated over the lesser of the term of the lease or the estimated useful life of the asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to earnings. Repair and maintenance costs are expensed as incurred.

Construction-in-progress primarily related to purchases of information technology assets which had not been placed in service at the respective balance sheet dates. We transfer these assets to the applicable property and equipment category on the date they are placed in service. There was no capitalized interest applicable to construction-in-progress for the years ended December 31, 2023 and 2022.

Business combinations

We include the operating results of acquired companies as well as the net assets acquired and liabilities assumed in our consolidated financial statements from the date of acquisition. We are required to allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed at the acquisition date based upon their estimated fair values. Goodwill as of the acquisition date represents the excess of the purchase consideration of an acquired business over the fair value of the underlying net tangible and intangible assets acquired and liabilities assumed.

We apply significant judgement in estimating the fair value of intangible assets acquired, which involves the use of significant assumptions. Significant assumptions used in the valuation of customer relationships include future revenue and operating expenses, customer attrition rates, contributory asset charges, tax amortization benefit, and discount rates. Significant assumptions used in the valuation of certain developed technology assets include future revenue, proprietary technology obsolescence curve, royalty rate, and discount rate. Significant assumptions used in the valuation of marketing assets include assumptions about the period of time the brand will continue to be valuable, royalty rate, and discount rate. Significant assumptions used in the valuation of content intangible assets include cost-based assumptions. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable, and unanticipated events and changes in circumstances may occur.

Goodwill

Goodwill represents the purchase price in excess of the net amount assigned to assets acquired and liabilities assumed by us in a business combination. Goodwill is not amortized, but tested annually for impairment on the first day of our fourth quarter, or more frequently if indicators of potential impairment arise.

Blackbaud, Inc.
Notes to Consolidated Financial Statements

Accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis to determine whether it is necessary to perform the quantitative impairment test. Significant judgment is required in the assessment of qualitative factors, including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of identified reporting units and future opportunities in the markets in which we operate.

The quantitative impairment test compares the fair values of identified reporting units with their respective carrying amounts. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Based on our current internal reporting structure, we have one operating segment, one reportable segment, and one reporting unit. In each of 2023, 2022 and 2021, we performed the quantitative impairment test, which indicated that the estimated fair values of the identified reporting units significantly exceeded their respective carrying values. There were no impairments of goodwill during 2023, 2022 and 2021.

Intangible assets other than goodwill

We amortize finite-lived intangible assets over their estimated useful lives as follows.

	Basis of amortization	Amortization period (in years)
Customer relationships	Straight-line and Curve of Economic Benefit[(1)]	10-17
Marketing assets	Straight-line and Curve of Economic Benefit[(1)]	14-15
Developed technology	Straight-line and Curve of Economic Benefit[(1)]	3-14
Content	Straight-line	9

(1) Certain of the customer relationships, marketing assets and developed technology assets are amortized on a curve that represents the expected period of economic benefit.

We write off the gross carrying amount and accumulated amortization balances for all fully amortized intangible assets. We evaluate the estimated useful lives and the potential for impairment of finite and indefinite-lived intangible assets on an annual basis or more frequently if events or circumstances indicate revised estimates of useful lives may be appropriate or that the carrying amount may be impaired. If the carrying amount of a finite-lived intangible asset is no longer recoverable based upon the undiscounted cash flows of the asset, the amount of impairment is the difference between the carrying amount and the fair value of the asset. All of our intangible assets were acquired in business combinations. See Note 6 to these consolidated financial statements for a discussion of our impairment of certain intangible assets during 2022. There were no impairments of acquired intangible assets during 2023 and 2021.

Impairment of long-lived assets

We review long-lived assets for impairment when events change or circumstances indicate the carrying amount may not be recoverable. Events or changes in circumstances that indicate the carrying amount may not be recoverable include, but are not limited to, a significant decrease in the market value of the business or asset acquired, a significant adverse change in the extent or manner in which the business or asset acquired is used or significant adverse change in the business climate. If such events or changes in circumstances are present, the undiscounted cash flow method is used to determine whether the asset or asset group is impaired. See Note 6 to these consolidated financial statements for a discussion of our impairment of certain long-lived assets during 2023, 2022 and 2021.

Deferred financing costs and debt discount

Deferred financing costs included in other assets represent the direct third-party costs of entering into the revolving (line-of-credit) portion of our credit facility in October 2020 and portions of the unamortized deferred financing costs from prior facilities. These costs are amortized ratably over the term of the credit facility as interest expense.

Other debt issuance costs, as well as the debt discount associated with our 2021 Incremental Term Loan (as defined below), 2020 Credit facility (as defined below) and portions of the unamortized balances from prior facilities, are recorded as a direct deduction from debt. These costs are amortized over the term of the credit facility as interest expense.

Stock-based compensation

We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the requisite service period, which is the vesting period.

We recognize the effect of awards for which the requisite service period is not rendered when the award is forfeited (that is, we recognize the effect of forfeitures in compensation cost when they occur). Previously recognized compensation cost for an award is reversed in the period that the award is forfeited. Income tax benefits resulting from the vesting and exercise of stock-based compensation awards are recognized in the period the unit or award is vested or option or right is exercised.

Income taxes

We make estimates and judgments in accounting for income taxes. The calculation of the income tax provision requires estimates due to transactions, credits and calculations where the ultimate tax determination is uncertain. Uncertainties arise as a consequence of the actual source of taxable income between domestic and foreign locations, the outcome of tax audits and the ultimate utilization of tax credits. To the extent actual results differ from estimated amounts recorded, such differences will impact the income tax provision in the period in which the determination is made.

We make estimates in determining tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized. In assessing the adequacy of a recorded valuation allowance significant judgment is required. We consider all positive and negative evidence and a variety of factors including the scheduled reversal of deferred tax liabilities, historical and projected future taxable income, and prudent and feasible tax planning strategies. If we determine there is less than a 50% likelihood that we will be able to use a deferred tax asset in the future in excess of its net carrying value, then an adjustment to the deferred tax asset valuation allowance is made to increase income tax expense, thereby reducing net income in the period such determination was made.

We measure and recognize uncertain tax positions. To recognize such positions, we must first determine if it is more likely than not that the position will be sustained upon audit. We must then measure the benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. Significant judgment is required in the identification and measurement of uncertain tax positions.

Foreign currency

Net assets recorded in a foreign currency are translated at the exchange rate on the balance sheet date. Revenue and expense items are translated using an average of monthly exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income.

Gains and losses resulting from foreign currency transactions denominated in currency other than the functional currency are recorded at the approximate rate of exchange at the transaction date in other income, net. For the years ended December 31, 2023 and 2021, we recorded net foreign currency losses that were insignificant and $1.6 million, respectively. During the year ended December 31, 2022, we recorded a net foreign currency gain of $4.6 million.

Research and development

Research and development costs are expensed as incurred except as noted below under *Software and content development costs*. These costs include compensation costs for engineering and product management personnel, third-party contractor expenses, software development tools and other expenses related to researching and developing new solutions or upgrading and enhancing existing solutions that do not qualify for capitalization, and allocated depreciation, facilities and IT support costs.

Software and content development costs

We incur certain costs associated with the development of internal-use software and content, which are primarily related to activities performed to develop our cloud solutions and the development of online education curriculum to be delivered on the Company's cloud platform. Internal and external costs incurred in the preliminary project stage of internal-use software development and content are expensed as incurred. Once the software or content being developed has reached the application development stage, qualifying internal costs including payroll and payroll-related costs of employees who are directly associated with and devote time to the software or content project as well as external direct costs of materials and services are capitalized. Capitalization ceases at the point at which the developed software or content is substantially complete and ready for its intended use, which is typically upon completion of all substantial testing. Qualifying costs capitalized during the application development stage include those related to specific upgrades and enhancements when it is probable that those costs incurred will result in additional functionality. Overhead costs, including general and administrative costs, as well as maintenance, training and all other costs associated with post-implementation stage activities are expensed as incurred. In addition, internal costs that cannot be reasonably separated between maintenance and relatively minor upgrades and enhancements are expensed as incurred. In certain circumstances, content development costs are considered deferred costs, when ownership of developed content belongs to the customer.

Qualifying capitalized software and content development costs are amortized on a straight-line basis over the software asset's estimated useful life, which is generally three to seven years. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. See Note 6 to these consolidated financial statements for a discussion of our impairment of certain capitalized software development costs during 2022. There were no impairments of capitalized software assets during 2023 and 2021. We write off the gross carrying amount and accumulated amortization balances for all fully amortized capitalized software and content development cost assets.

Allowance for credit losses

Our accounts receivable consist of a single portfolio segment. Accounts receivable are recorded at original invoice amounts less an allowance for credit losses, an amount we estimate to be sufficient to provide adequate protection against lifetime expected losses resulting from extending credit to our customers. In judging the adequacy of the allowance for credit losses, we consider multiple factors including historical bad debt experience, the current aging of our receivables and current economic conditions that may affect our customers' ability to pay. A considerable amount of judgment is required in assessing these factors and if any receivables were to deteriorate, an additional provision for credit losses could be required. Accounts are written off after all means of collection are exhausted and recovery is considered remote. Provisions for credit losses are recorded in general and administrative expense.

Below is a summary of the changes in our allowance for credit losses.

Years ended December 31, (in thousands)	Balance at beginning of year	Provision/ adjustment	Write-off	Recovery	Balance at end of year
2023	$ 6,022	$ 2,012	$ (2,539)	$ 601	$ 6,096
2022	9,375	1,281	(5,162)	528	6,022
2021	9,016	4,483	(4,565)	441	9,375

The amount of write-offs during the year ended December 31, 2023 was lower than during the same periods in 2022 and 2021 as we experienced payment delays during those years related to the COVID-19 pandemic.

Allowance for sales returns

We maintain a reserve for returns and credits which is estimated based on several factors including historical experience, known credits yet to be issued, the aging of customer accounts and the nature of service level commitments. A considerable amount of judgment is required in assessing these factors. Provisions for sales returns and credits are charged against the related revenue items.

Below is a summary of the changes in our allowance for sales returns.

Years ended December 31, (in thousands)	Balance at beginning of year	Provision/ adjustment	Deduction	Balance at end of year
2023	$ 1,296	$ 2,488	$ (2,973)	$ 811
2022	1,780	4,785	(5,269)	1,296
2021	1,276	6,967	(6,463)	1,780

Blackbaud, Inc.
Notes to Consolidated Financial Statements

Advertising costs

We expense advertising costs as incurred, which were $14.0 million, $16.5 million and $7.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Restructuring costs

Restructuring costs include charges for the costs of exit or disposal activities. The liability for costs associated with exit or disposal activities is measured initially at fair value and only recognized when the liability is incurred.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued expense and other current liabilities, and operating lease liabilities, net of current portion in our consolidated balance sheet as of December 31, 2023 and 2022.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate in determining the present value of lease payments. Our incremental borrowing rate is based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date. We use the implicit rate when readily determinable. The operating lease ROU asset also includes any initial direct costs and lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments related to our operating leases is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally accounted for separately. We do not recognize short-term leases (those that, at the commencement date, have a lease term of 12 months or less) on our consolidated balance sheets. Variable lease payments, which are primarily comprised of common-area maintenance, utilities and real estate taxes that are passed on from the lessor in proportion to the space leased by us, are recognized in operating expenses in the period in which the obligation for those payments is incurred.

Loss contingencies

We are subject to the possibility of various loss contingencies, including legal proceedings and claims, that arise in the normal course of business, as well as certain other non-ordinary course proceedings, claims and investigations, as described in Note 11 to these consolidated financial statements. We record an accrual for a loss contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and the estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions that have been deemed reasonable by us. Although we believe we have substantial defenses in these matters, we could incur judgments or enter into settlements of claims that could have a material adverse effect on our consolidated financial position, results of operations or cash flows in any particular period.

Earnings (loss) per share

We compute basic earnings (loss) per share by dividing net (loss) income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares and dilutive potential common shares outstanding during the period. Diluted earnings per share reflects the assumed exercise, settlement and vesting of all dilutive securities using the “treasury stock method” except when the effect is anti-dilutive. Potentially dilutive securities consist of shares issuable upon the exercise of stock options and stock appreciation rights and vesting of restricted stock awards and units. In periods where there are net losses and the inclusion of potentially dilutive securities would be anti-dilutive, diluted loss per share is the same as basic loss per share.

3. Business Combinations and Dispositions

2022 Disposition

Blackbaud FIMS™ and DonorCentral® NXT

On September 9, 2022, we sold our Foundation Information Management System ("FIMS") and DonorCentral NXT solutions to Fusion Laboratories, LLC for cash proceeds of approximately $6.4 million, subject to closing adjustments. During the year ended December 31, 2022, we recognized a noncash impairment charge of $2.0 million against certain insignificant FIMS customer relationship intangible assets that were then held for sale. The impairment charge was recorded in general and administrative expense in our consolidated statements of comprehensive loss.

2022 Acquisition

Kilter

On August 19, 2022, we acquired all of the outstanding stock of Kilter, Inc., a Delaware corporation, pursuant to an agreement and plan of merger, for approximately $2.9 million in cash, net of closing adjustments. In addition to the consideration paid at closing, we may be required to pay up to a maximum of $3.0 million in additional cash consideration if during the two-year period commencing January 1, 2023 Kilter meets certain application participation targets. As of December 31, 2023, a liability for the contingent consideration is recorded at its current estimated fair value of $1.4 million in other liabilities in our consolidated balance sheet. Any change in the fair value of the contingent liability, or any change upon final settlement, will be recognized in income from operations. Fair values were also assigned to the other assets acquired and liabilities assumed, primarily consisting of goodwill and a finite-lived developed technology intangible asset, which will be amortized over an estimated useful life of three years. We finalized the purchase price allocation of Kilter, including the valuation of assets acquired and liabilities assumed, during the third quarter of 2023. Insignificant acquisition-related costs, which primarily consisted of legal services, were recorded as general and administrative expense during the year ended December 31, 2023.

2021 Acquisition

EVERFI

On December 31, 2021, we acquired all of the outstanding equity securities, including all voting equity interests, of EVERFI, Inc., a Delaware corporation, pursuant to an agreement and plan of merger. We acquired the equity securities for approximately $441.8 million in cash consideration and 3,810,888 shares of our common stock, valued at approximately $301.0 million, for an aggregate purchase price of approximately $742.8 million, net of closing adjustments. The cash consideration and related expenses were funded primarily through cash on hand and new borrowings under the 2020 Credit Facility (as defined below). As a result of the acquisition, EVERFI became a wholly owned subsidiary of ours. The operating results of EVERFI have been included in our consolidated financial statements from the date of acquisition. During the year ended December 31, 2021, we incurred insignificant acquisition-related expenses associated with the acquisition, which were recorded in general and administrative expense. In accordance with applicable accounting rules, we determined that the impact of this acquisition was not material to our consolidated financial statements; therefore, revenue and earnings since the acquisition date and pro forma information are not required or presented. We finalized the purchase price allocation of EVERFI, including the valuation of assets acquired and liabilities assumed, during the fourth quarter of 2022.

4. Goodwill and Other Intangible Assets

The change in goodwill during 2023 consisted of the following:

(dollars in thousands)	Total
Balance at December 31, 2022	$ 1,050,272
Adjustments related to prior year business combination[1]	36
Effect of foreign currency translation	3,430
Balance at December 31, 2023	$ 1,053,738

(1) Represents immaterial measurement period adjustments during the year ended December 31, 2023 to the fair value of the Kilter assets acquired and liabilities assumed.

We have recorded intangible assets acquired in various business combinations based on their fair values at the date of acquisition. The table below sets forth the balances of each class of intangible asset and related amortization as of:

	December 31,	
(dollars in thousands)	2023	2022
Finite-lived gross carrying amount		
Customer relationships	$ 570,104	$ 569,009
Marketing assets	71,308	69,643
Developed technology	182,956	182,463
Content	17,900	17,900
Total finite-lived gross carrying amount	842,268	839,015
Accumulated amortization		
Customer relationships	(174,982)	(146,948)
Marketing assets	(11,985)	(8,371)
Developed technology	(69,386)	(46,571)
Content	(3,978)	(1,989)
Total accumulated amortization	(260,331)	(203,879)
Intangible assets, net	$ 581,937	$ 635,136

During the year ended December 31, 2023, changes to the gross carrying amounts of intangible asset classes were primarily related to write-offs of fully amortized intangible assets and the effect of foreign currency translation.

Amortization expense

Amortization expense related to finite-lived intangible assets acquired in business combinations is allocated to cost of revenue on the consolidated statements of comprehensive income based on the revenue stream to which the asset contributes, except for marketing assets and non-compete agreements, for which the associated amortization expense is included in operating expenses.

The following table summarizes amortization expense of our finite-lived intangible assets:

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Included in cost of revenue:			
Cost of recurring	$ 51,079	$ 47,085	$ 33,132
Cost of one-time services and other	1,384	1,407	1,680
Total included in cost of revenue	52,463	48,492	34,812
Included in operating expenses	3,139	2,925	2,227
Total amortization of intangibles from business combinations	$ 55,602	$ 51,417	$ 37,039

The following table outlines the estimated future amortization expense for each of the next five years for our finite-lived intangible assets as of December 31, 2023:

Years ending December 31, (dollars in thousands)	Amortization expense
2024	62,332
2025	65,873
2026	64,234
2027	60,038
2028	52,544
Total	$ 305,021

5. Earnings (Loss) Per Share

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

	Years ended December 31,		
(dollars in thousands, except per share amounts)	2023	2022	2021
Numerator:			
Net income (loss)	$ 1,820	$ (45,407)	$ 5,698
Denominator:			
Weighted average common shares	52,546,406	51,569,148	47,412,306
Add effect of dilutive securities:			
Stock-based awards	1,174,936	—	818,132
Weighted average common shares assuming dilution	53,721,342	51,569,148	48,230,438
Earnings (loss) per share			
Basic	$ 0.03	$ (0.88)	$ 0.12
Diluted	$ 0.03	$ (0.88)	$ 0.12
Anti-dilutive shares excluded from calculations of diluted earnings (loss) per share	45,614	1,046,307	974,110

Diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share as there was a net loss in the period and inclusion of potentially dilutive securities was anti-dilutive.

6. Fair Value Measurements

Recurring fair value measurements

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

	Fair value measurement using			
(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fair value as of December 31, 2023				
Financial assets:				
Interest rate swaps	$ —	$ 16,198	$ —	$ 16,198
Total financial assets	$ —	$ 16,198	$ —	$ 16,198
Fair value as of December 31, 2023				
Financial liabilities:				
Interest rate swaps	$ —	$ 5,004	$ —	$ 5,004
Foreign currency forward contracts	—	536	—	536
Contingent consideration obligations	—	—	1,403	1,403
Total financial liabilities	$ —	$ 5,540	$ 1,403	$ 6,943
Fair value as of December 31, 2022				
Financial assets:				
Interest rate swaps	$ —	$ 31,870	$ —	$ 31,870
Foreign currency forward contracts	—	247	—	247
Total financial assets	$ —	$ 32,117	$ —	$ 32,117
Fair value as of December 31, 2022				
Financial liabilities:				
Foreign currency forward contracts	$ —	$ 323	$ —	$ 323
Contingent consideration obligations	—	—	2,710	2,710
Total financial liabilities	$ —	$ 323	$ 2,710	$ 3,033

Our derivative instruments within the scope of Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, are required to be recorded at fair value. Our derivative instruments that are recorded at fair value include interest rate swaps and foreign currency forward contracts. See Note 10 to these consolidated financial statements for additional information about our derivative instruments.

The fair value of our interest rate swaps and foreign currency forward contracts are based on model-driven valuations using Secured Overnight Financing Rate ("SOFR") rates and foreign currency forward rates, respectively, which are observable at commonly quoted intervals. Accordingly, our interest rate swaps and foreign currency forward contracts are classified within Level 2 of the fair value hierarchy. Our financial contracts that were indexed to LIBOR were modified to reference SOFR during the three months ended September 30, 2022. These modifications did not have a significant financial impact.

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

We believe the carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, accrued expenses and other current liabilities and due to customers approximate their fair values at December 31, 2023 and December 31, 2022, due to the immediate or short-term maturity of these instruments.

We believe the carrying amount of our debt approximates its fair value at December 31, 2023 and December 31, 2022, as the debt bears interest rates that approximate market value. As SOFR rates are observable at commonly quoted intervals, our debt under the 2020 Credit Facility (as defined below) is classified within Level 2 of the fair value hierarchy. The fair value of our fixed rate debt does not exceed the carrying amount.

We did not transfer any assets or liabilities among the levels within the fair value hierarchy during the years ended December 31, 2023, 2022 and 2021.

Non-recurring fair value measurements

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

During the year ended December 31, 2023, we recorded noncash impairment charges of $5.6 million against certain operating lease ROU assets and $1.1 million impairment charges against certain property and equipment assets. See Notes 11 and 7, respectively, to these consolidated financial statements for additional details.

During the year ended December 31, 2022, we recorded noncash impairment charges of $2.3 million against certain previously capitalized software development costs, $2.0 million against certain insignificant customer relationship intangible assets that were held for sale, $1.0 million against certain operating lease ROU assets and insignificant impairment charges against certain property and equipment assets. See Notes 11 and 7, respectively, to these consolidated financial statements for additional details.

During the year ended December 31, 2021, we recorded noncash impairment charges of $3.6 million against certain operating lease ROU assets and $1.7 million against certain property and equipment assets. See Notes 11 and 7, respectively, to these consolidated financial statements for additional details.

There were no other non-recurring fair value adjustments during 2023, 2022 and 2021 except for certain business combination accounting adjustments to the initial fair value estimates of the assets acquired and liabilities assumed at the acquisition date from updated estimates and assumptions during the measurement period. See Note 3 to these consolidated financial statements for additional details.

7. Property and Equipment and Software and Content Development Costs

Property and equipment

Property and equipment consisted of the following as of:

(dollars in thousands)	Estimated useful life (years)	December 31, 2023	2022
Land	—	$ 9,548	$ 9,548
Building	39	61,284	61,284
Building improvements	7 - 20	11,720	10,874
Equipment	1 - 5	2,646	2,312
Computer hardware	1 - 5	50,064	47,886
Computer software	1 - 5	21,982	20,299
Construction in progress	—	1,611	3,500
Furniture and fixtures	2 - 7	3,187	3,264
Leasehold improvements	Lesser of lease term or estimated useful life	10,345	11,822
Total property and equipment		172,387	170,789
Less: accumulated depreciation		(73,698)	(63,363)
Property and equipment, net		$ 98,689	$ 107,426

Depreciation expense was $13.0 million, $14.1 million and $14.4 million for the years ended December 31, 2023, 2022 and 2021, respectively.

During the year ended December 31, 2023, we recorded noncash impairment charges of $1.1 million against certain property and equipment assets. These impairment charges resulted primarily from our entry into a sublease in July 2023 for a portion of our Washington, DC office location, which we previously closed in February 2023 to align with our remote-first workforce strategy and are reflected in general and administrative expense on the statements of comprehensive income.

During the year ended December 31, 2022, we recorded insignificant noncash impairment charges against certain property and equipment assets. These impairment charges resulted primarily from our decision to cease using a portion of our leased office space and are reflected in general and administrative expense on the statements of comprehensive income.

During the year ended December 31, 2021, we recorded noncash impairment charges of $1.7 million against certain property and equipment assets. These impairment charges resulted primarily from our decision to close our Austin office and are reflected in general and administrative expense on the statements of comprehensive income.

Software and content development costs

Software and content development costs consisted of the following as of:

(dollars in thousands)	Estimated useful life (years)	December 31, 2023	2022
Software development costs	3 - 7	$ 287,519	$ 250,551
Content development costs	5	6,945	3,409
Less: accumulated amortization		(134,270)	(112,937)
Software and content development costs, net		$ 160,194	$ 141,023

During the year ended December 31, 2022, we recorded noncash impairment charges of $2.3 million against certain previously capitalized software development costs that reduced the carrying value of those assets to zero. The impairment charges were reflected in general and administrative expense and cost of recurring revenue, respectively, on the statements of comprehensive income. These impairment charges resulted primarily from our decision to accelerate the end of customer support for certain solutions.

Other changes to the gross carrying amount of software and content development costs were primarily related to qualifying costs associated with development activities that are required to be capitalized under the internal-use software accounting guidance such as those for our cloud solutions and online education curriculum, write-offs of fully amortized assets, and the effect of foreign currency translation.

Amortization expense related to software and content development costs was $42.8 million, $36.8 million and $31.0 million for the years ended December 31, 2023, 2022 and 2021, respectively, and is included primarily in cost of recurring.

8. Consolidated Financial Statement Details

Restricted cash

(dollars in thousands)	December 31, 2023	December 31, 2022
Restricted cash due to customers	$ 695,489	$ 700,611
Real estate escrow balances and other	1,517	1,629
Total restricted cash	$ 697,006	$ 702,240

Prepaid expenses and other assets

(dollars in thousands)	December 31, 2023	December 31, 2022
Costs of obtaining contracts(1)(2)	$ 62,377	$ 74,272
Prepaid software maintenance and subscriptions(3)	35,169	34,766
Derivative instruments	16,198	32,117
Implementation costs for cloud computing arrangements, net(4)(5)	9,259	10,189
Unbilled accounts receivable	5,615	5,775
Prepaid insurance	3,940	4,902
Taxes, prepaid and receivable	3,418	1,855
Deferred tax assets	644	1,153
Other assets	13,702	10,929
Total prepaid expenses and other assets	150,322	175,958
Less: Long-term portion	51,037	94,304
Prepaid expenses and other current assets	$ 99,285	$ 81,654

(1) Amortization expense from costs of obtaining contracts was $31.9 million, $33.6 million and $35.5 million for the years ended December 31, 2023, 2022 and 2021, respectively, and is included in sales, marketing and customer success expense in our consolidated statements of comprehensive income.
(2) The current portion of costs of obtaining contracts as of December 31, 2023 and 2022 was $25.3 million and $29.1 million, respectively.
(3) The current portion of prepaid software maintenance and subscriptions as of December 31, 2023 and December 31, 2022 was $32.4 million and $31.7 million, respectively.
(4) These costs primarily relate to the multi-year implementations of our global enterprise resource planning and customer relationship management systems.
(5) Amortization expense from capitalized cloud computing implementation costs was $2.5 million, $2.2 million and $1.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. Accumulated amortization for these costs was $7.7 million and $5.2 million as of December 31, 2023 and 2022, respectively.

Accrued expenses and other liabilities

(dollars in thousands)	December 31, 2023	December 31, 2022
Taxes payable	$ 21,282	$ 16,667
Customer credit balances	10,238	8,257
Operating lease liabilities, current portion	6,701	7,723
Derivative instruments	5,540	323
Accrued commissions and salaries	4,413	6,944
Accrued transaction-based costs related to payments services	4,323	5,059
Accrued health care costs	3,865	2,467
Accrued legal costs	3,659	28,448
Accrued vacation costs	2,452	2,156
Contingent consideration liability	1,403	2,710
Other liabilities	10,704	9,542
Total accrued expenses and other liabilities	74,580	90,296
Less: Long-term portion	10,258	4,294
Accrued expenses and other current liabilities	$ 64,322	$ 86,002

Other income, net

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Interest income	$ 8,821	$ 1,746	$ 392
Currency revaluation (losses) gains	(36)	4,635	(1,644)
Other income, net	4,076	2,332	1,432
Other income, net	$ 12,861	$ 8,713	$ 180

9. Debt

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

	Debt balance at		Weighted average effective interest rate at	
(dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Credit facility:				
Revolving credit loans	$ 114,100	$ 177,800	7.52 %	5.18 %
Term loans	607,500	623,750	3.51 %	4.26 %
Real estate loans	56,745	58,189	5.22 %	5.22 %
Other debt	2,800	2,247	8.42 %	7.38 %
Total debt	781,145	861,986	4.24 %	4.52 %
Less: Unamortized discount and debt issuance costs	1,481	2,943		
Less: Debt, current portion	19,259	18,802	7.02 %	6.45 %
Debt, net of current portion	$ 760,405	$ 840,241	4.17 %	4.48 %

2020 refinancing

In October 2020, we entered into a 5-year $900.0 million Amended and Restated Credit Agreement (the “2020 Credit Facility”). The 2020 Credit Facility matures in October 2025 and replaced our 5-year $700 million credit facility entered into during June 2017 (the "2017 Credit Facility") by amending and restating it to include a $500.0 million revolving credit facility (the “2020 Revolving Facility”) and a $400.0 million term loan facility (the “2020 Term Loan”). Upon closing, we borrowed $400.0 million pursuant to the 2020 Term Loan and used the proceeds to repay the outstanding principal balance of the term loan under the 2017 Credit Facility, and repay $124.4 million of outstanding revolving credit loans under the 2017 Revolving Facility.

In connection with the amendment and restatement of the 2017 Credit Facility, the existing Pledge Agreement dated June 2, 2017, by us in favor of Bank of America, N.A., as administrative agent, was likewise amended and restated.

Summary of the 2020 Credit Facility

The 2020 Revolving Facility includes (i) a $50.0 million sublimit available for the issuance of standby letters of credit, (ii) a $50.0 million sublimit available for swingline loans, and (iii) a $100.0 million sublimit available for multicurrency borrowings.

Our obligations under the 2020 Credit Facility are secured by the stock and limited liability company interests of certain of our direct subsidiaries and any of our material domestic subsidiaries, if any, and the proceeds therefrom pledged pursuant to an Amended and Restated Pledge Agreement dated as of October 30, 2020, by us in favor of Bank of America, N.A., as administrative agent, for the ratable benefit of itself and the secured parties referred to therein.

The term loan under the 2020 Credit Facility requires periodic principal payments. The balance of the term loan and any amounts drawn on the revolving credit loans are due upon maturity of the 2020 Credit Facility in October 2025. We evaluate the classification of our debt as current or non-current based on the required annual maturities of the 2020 Credit Facility. We may prepay the 2020 Credit Facility in whole or in part at any time without premium or penalty, other than customary breakage costs with respect to certain types of loans.

The 2020 Credit Facility contains various representations, warranties and affirmative, negative and financial covenants customary for financings of this type. Financial covenants include a net leverage ratio and an interest coverage ratio. At December 31, 2023, we were in compliance with our debt covenants under the 2020 Credit Facility.

Under the terms of the 2020 Credit Facility, we are entitled on one or more occasions, subject to the satisfaction of certain conditions, to request an increase in the commitments under the Revolving Credit Facility and/or request additional incremental term loans in the aggregate principal amount of up to $250.0 million plus an amount, if any, such that the net leverage ratio shall be no greater than 3.25 to 1.00. At December 31, 2023, our available borrowing capacity under the 2020 Credit Facility was $384.5 million.

First Amendment to 2020 Credit Facility

On January 31, 2022, we entered into the First Amendment to Credit Agreement (the “Amendment”). The Amendment amended the 2020 Credit Facility to, among other things, (i) modify the definition of “Applicable Margin”, (ii) modify the net leverage ratio financial covenant to require a net leverage ratio of (A) 4.00:1.00 or less for the fiscal quarter ended December 31, 2021 and for fiscal quarters ending thereafter through December 31, 2023 and (B) 3.75:1.00 or less for the fiscal quarters ending March 31, 2024 and thereafter, (iii) reset the $250.0 million fixed dollar basket with respect to the accordion feature and (iv) modify certain negative covenants to provide additional operational flexibility.

LIBOR Transition Amendment

On August 26, 2022, we entered into a LIBOR Transition Amendment (the "LIBOR Amendment"). The LIBOR Amendment amended the 2020 Credit Facility, as previously amended, to change the interest rate benchmark from LIBOR to SOFR (as defined therein). The LIBOR Amendment did not change any terms of the 2020 Credit Facility unrelated to reference rate reform.

After giving effect to both the First Amendment and the LIBOR Transition Amendment, dollar denominated loans under the 2020 Revolving Facility and the 2020 Term Loan bear interest based on, at our election, either (a) the Base Rate (as defined below) or (b) Term SOFR (as defined below), in each case, plus an applicable margin. "Base Rate" is defined as a rate per annum equal to the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the prime rate announced by Bank of America, N.A., and (iii) Term SOFR plus 1.00%. "Term SOFR" is defined as a rate per annum equal to the forward-looking term rate based on the secured overnight financing rate plus a credit sensitive adjustment of 0.11448% for a one month tenor, 0.26161% for a three month tenor or 0.42826% for a six month tenor, as applicable, in each case, per annum. The applicable margin is adjusted quarterly based on our net leverage ratio and ranges from 0.375% to 1.50% for Base Rate loans and 1.375% to 2.50% for Term SOFR loans, in each case, per annum.

Sterling denominated loans under the 2020 Revolving Facility bear interest based on SONIA plus an applicable margin. "SONIA" is defined as a rate per annum equal to the Sterling Overnight Index Average Reference Rate published on the fifth Business Day preceding such date on the applicable Reuters screen page plus a credit sensitive adjustment of 0.0326% per annum. The applicable margin is adjusted quarterly based on our net leverage ratio and ranges from 1.375% to 2.50% per annum.

We also pay a quarterly commitment fee on the unused portion of the 2020 Revolving Facility from 0.250% to 0.50% per annum, depending on our net leverage ratio.

At December 31, 2023, the applicable margin for Term SOFR, SONIA and other Eurocurrency Rate loans under the 2020 Credit Facility was 1.625% and the commitment fee applicable to the 2020 Revolving Facility was 0.250%.

First Incremental Term Loan

On December 31, 2021, we entered into the First Incremental Term Loan Agreement (the "Incremental Amendment"). The Incremental Amendment amends the 2020 Credit Facility and, among other things, provides for a $250.0 million incremental term loan (the “2021 Incremental Term Loan”).

The 2021 Incremental Term Loan bears interest based on, at our election, either (a) the Base Rate (2021 Incremental) (as defined below), (b) Daily SOFR Rate (as defined below) or (c) Term SOFR (2021 Incremental) (as defined below), in each case, plus an applicable margin. "Base Rate (2021 Incremental)" is defined as a rate per annum equal to the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the prime rate announced by Bank of America, N.A., and (iii) Daily SOFR Rate plus 1.00%. “Daily SOFR Rate” is defined as a rate per annum equal to secured overnight financing rate plus a credit sensitive adjustment of 0.10%. "Term SOFR (2021 Incremental)" is defined as a rate per annum equal to the forward-looking term rate based on the secured overnight financing rate plus a credit sensitive adjustment of 0.10% for a one month tenor, 0.15% for a three month tenor or 0.25% for a six month tenor, as applicable, in each case, per annum. The applicable margin is adjusted quarterly based on our net leverage ratio and ranges from 0.375% to 1.50% for Base Rate (2021 Incremental) loans and 1.375% to 2.50% for Daily SOFR Rate loans and Term SOFR (2021 Incremental) loans, in each case, per annum. The 2021 Incremental Term Loan matures in October 2025, which is the maturity date of the existing term loan under the 2020 Credit Facility, and is otherwise subject to substantially the same terms and conditions as the existing term loan under the 2020 Credit Facility.

Financing costs

In connection with our entry into the 2020 Credit Facility, we paid $4.0 million in financing costs, of which $1.2 million were capitalized in other assets and, together with a portion of the unamortized deferred financing costs from the 2017 Credit Facility and prior facilities, are being amortized into interest expense over the term of the new facility. We recorded aggregate financing costs of $2.0 million as a direct deduction from the carrying amount of our debt liability, which related to debt discount (fees paid to lenders) and debt issuance costs for the 2020 Term Loan.

In connection with our entry into the 2021 Incremental Term Loan, we paid $3.1 million in financing costs which were recorded as a direct deduction from the carrying amount of our debt liability.

As of December 31, 2023, deferred financing costs totaling $0.6 million were included in other assets on our consolidated balance sheets.

Real estate loans

In August 2020, we completed the purchase of our global headquarters facility. As part of the purchase price, we assumed the Seller’s obligations under two senior secured notes with a then-aggregate outstanding principal amount of $61.1 million (collectively, the “Real Estate Loans”). The Real Estate Loans require periodic principal payments and the balance of the Real Estate Loans are due upon maturity in April 2038. At December 31, 2023, we were in compliance with our debt covenants under the Real Estate Loans.

Other debt

From time to time, we enter into third-party financing agreements for purchases of software and related services for our internal use. Generally, the agreements are non-interest-bearing notes requiring annual payments. Interest associated with the notes is imputed at the rate we would incur for amounts borrowed under our then-existing credit facility at the inception of the notes. Our assumption of these loans are noncash financing transactions and are reflected in our supplemental disclosure of cash flow information.

The following table summarizes our currently effective financing agreements as of December 31, 2023:

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

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

The changes in supplier financing obligations during the years ended December 31, 2023, consisted of the following:

(dollars in thousands)	Total
Balance at December 31, 2022	$ 2,247
Additions	2,491
Payments	(1,938)
Balance at December 31, 2023	$ 2,800

As of December 31, 2023, the required annual maturities related to the 2020 Credit Facility, the Real Estate Loans and our other debt were as follows:

Years ending December 31, (dollars in thousands)	Annual maturities
2024	$ 19,259
2025	708,534
2026	1,969
2027	2,166
2028	2,374
Thereafter	46,843
Total required maturities	$ 781,145

10. Derivative Instruments

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

All of our derivative instruments are governed by International Swap Dealers Association, Inc. master agreements with our counterparties. As of December 31, 2023 and December 31, 2022, we have presented the fair value of our derivative instruments at the gross amounts in the consolidated balance sheet as the gross fair values of our derivative instruments equaled their net fair values.

Cash flow hedges

We have entered into interest rate swap agreements, which effectively convert portions of our variable rate debt under the 2020 Credit Facility to a fixed rate for the term of the swap agreements. We designated each of the interest rate swaps as cash flow hedges at the inception of the contracts. As of December 31, 2023 and December 31, 2022, the aggregate notional values of the interest rate swaps were $935.0 million and $435.0 million, respectively. All of the contracts have maturities on or before October 2028.

We have entered into foreign currency forward contracts to hedge revenues denominated in the Canadian Dollar ("CAD") against changes in the exchange rate with the United States Dollar ("USD"). We designated each of these foreign currency forward contracts as cash flow hedges at the inception of the contracts. As of December 31, 2023 and December 31, 2022, the aggregate notional values of the foreign currency forward contracts designated as cash flow hedges that we held to buy USD in exchange for Canadian Dollars were $29.9 million CAD and $22.6 million CAD, respectively. All of the contracts have maturities of 12 months or less.

Net investment hedges

We have entered into foreign currency forward contracts to hedge a portion of the foreign currency exposure that arises on translation of our investments denominated in British Pounds ("GBP") into USD. We designated each of these foreign currency forward contracts as net investment hedges at the inception of the contracts. As of December 31, 2023 and December 31, 2022, the aggregate notional values of the foreign currency forward contracts designated as net investment hedges to reduce the volatility of the U.S. dollar value of a portion of our GBP-denominated investments was £13.2 million and £11.2 million, respectively.

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

		Asset derivatives			Liability Derivatives	
(dollars in thousands)	Balance sheet location	December 31, 2023	December 31, 2022	Balance sheet location	December 31, 2023	December 31, 2022
Derivative instruments designated as hedging instruments:						
Interest rate swaps, current portion	Prepaid expenses and other current assets	$ 16,198	$ —	Accrued expenses and other current liabilities	$ —	$ —
Foreign currency forward contracts, current portion	Prepaid expenses and other current assets	—	247	Accrued expenses and other current liabilities	536	323
Interest rate swaps, long-term	Other assets	—	31,870	Other liabilities	5,004	—
Total derivative instruments designated as hedging instruments		$ 16,198	$ 32,117		$ 5,540	$ 323

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

(dollars in thousands)	Gain recognized in accumulated other comprehensive (loss) income as of December 31, 2023	Location of gain reclassified from accumulated other comprehensive (loss) income into income (loss)	Gain (loss) reclassified from accumulated other comprehensive (loss) income into income (loss) Year ended December 31, 2023
Cash Flow Hedges			
Interest rate swaps	$ 11,194	Interest expense	$ 20,418
Foreign currency forward contracts	$ (235)	Revenue	$ 388
Net Investment Hedge			
Foreign currency forward contracts	$ (301)		$ —
	December 31, 2022		**Year ended December 31, 2022**
Cash Flow Hedges			
Interest rate swaps	$ 31,870	Interest expense	$ 5,520
Foreign currency forward contracts	$ 247	Revenue	$ 165
Net Investment Hedges			
Foreign currency forward contracts	$ (323)		$ —
	December 31, 2021		**Year ended December 31, 2021**
Cash Flow Hedges			
Interest rate swaps	$ 7,160	Interest expense	$ (3,714)

Our policy requires that derivatives used for hedging purposes be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accumulated other comprehensive income (loss) includes unrealized gains or losses from the change in fair value measurement of our derivative instruments each reporting period and the related income tax expense or benefit. Excluding net investment hedges, changes in the fair value measurements of the derivative instruments and the related income tax expense or benefit are reflected as adjustments to accumulated other comprehensive income (loss) until the actual hedged expense is incurred or until the hedge is terminated at which point the unrealized gain (loss) and related tax effects are reclassified from accumulated other comprehensive income (loss) to current earnings. For net investment hedges, changes in the fair value measurements of the derivative instruments and the related income tax expense or benefit are reflected as adjustments to translation adjustment, a component of accumulated other comprehensive income (loss), and recognized in earnings only when the hedged GBP investment is liquidated. The estimated accumulated other comprehensive income as of December 31, 2023 that is expected to be reclassified into earnings within the next twelve months is $16.4 million. There were no ineffective portions of our interest rate swap or foreign currency forward derivatives during the years ended December 31, 2023, 2022 and 2021. See Note 14 to these consolidated financial statements for a summary of the changes in accumulated other comprehensive income (loss) by component. We classify cash flows related to derivative instruments as operating activities in the consolidated statements of cash flows.

We did not have any undesignated derivative instruments during 2023, 2022 and 2021.

11. Commitments and Contingencies

Leases

We have operating leases for corporate offices, subleased offices and certain equipment and furniture. As of December 31, 2023, we did not have any operating leases that had not yet commenced.

The following table summarizes the components of our lease expense:

(dollars in thousands)	Year ended December 31, 2023	2022	2021
Operating lease cost[1]	$ 8,812	$ 9,501	$ 9,636
Variable lease cost	1,431	1,670	2,478
Sublease income	(3,356)	(2,763)	(1,516)
Net lease cost	$ 6,887	$ 8,408	$ 10,598

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

During the year ended December 31, 2023, we recorded noncash impairment charges of $5.6 million against certain operating lease ROU assets. These impairment charges resulted primarily from our entry into a sublease in July 2023 for a portion of our Washington, DC office location, which we previously closed in February 2023 to align with our remote-first workforce strategy and are reflected in general and administrative expense on the statements of comprehensive income.

During the year ended December 31, 2022, we recorded noncash impairment charges of $1.0 million against certain operating lease ROU assets resulting primarily from our decision to cease using a portion of our leased office space. These charges are reflected in general and administrative expense on the statements of comprehensive income.

In October 2021, we made the decision to permanently close our fixed office locations (with the exception of our global headquarters facility in Charleston, South Carolina), effective in December 2021. This change was intended to align our real estate footprint with our transition to a remote-first workforce. We enter into arrangements for smaller more flexible workspaces where necessary. As a result, during the twelve months ended December 31, 2021, we reduced the estimated useful lives of our operating lease ROU assets for certain of our office locations we expected to exit. We recorded $5.3 million in incremental operating lease costs during 2021 related to this change in accounting estimate. For these same office locations, we also reduced the estimated useful lives of certain facilities-related fixed assets, which resulted in incremental depreciation expense of $1.7 million during 2021 (see Note 7 to these consolidated financial statements). During the twelve months ended December 31, 2021, we also recorded $3.6 million in impairments of operating lease ROU assets associated with certain leased office spaces we have ceased using as a result of our adjusted workforce strategy. These impairment charges are reflected in general and administrative expense.

Maturities of our operating lease liabilities as of December 31, 2023 were as follows:

Years ending December 31, (dollars in thousands)	Operating leases
2024	$ 8,662
2025	7,703
2026	6,107
2027	6,207
2028	6,101
Thereafter	20,689
Total lease payments	55,469
Less: Amount representing interest	8,683
Present value of future payments	$ 46,786

Our ROU assets and lease liabilities are included in the following line items in our consolidated balance sheet:

(dollars in thousands)	December 31, 2023	December 31, 2022
Operating leases		
Operating lease ROU assets	$ 36,927	$ 45,899
Accrued expenses and other current liabilities	$ 6,701	$ 7,723
Operating lease liabilities, net of current portion	40,085	44,918
Total operating lease liabilities	$ 46,786	$ 52,641

The weighted average remaining lease terms and discount rates were as follows:

(dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Operating leases			
Weighted average remaining lease term (years)	7.7	8.5	8.9
Weighted average discount rate	4.70 %	4.63 %	4.68 %

Supplemental cash flow information related to leases was as follows:

			Year ended December 31,
(dollars in thousands)	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases(1)	$ 10,983	$ 11,439	$ 11,338
Right-of-use assets obtained in exchange for lease obligations (non-cash):			
Operating leases	2,765	—	5,358

Other commitments

The term loans under the 2020 Credit Facility require periodic principal payments. The balance of the term loans and any amounts drawn on the revolving credit loans are due upon maturity of the 2020 Credit Facility in October 2025. The Real Estate Loans also require periodic principal payments and the balance of the Real Estate Loans are due upon maturity in April 2038.

We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of December 31, 2023, the remaining aggregate minimum purchase commitment under these arrangements was approximately $257.6 million through 2027.

Solution and service indemnifications

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

Legal proceedings

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

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

Security incident

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

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

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

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Gross expense	$ 53,426	$ 57,614	$ 40,561
Offsetting probable insurance recoveries	—	(1,891)	(38,745)
Net expense	$ 53,426	$ 55,723	$ 1,816

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

(dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Cumulative gross expense	$ 161,431	$ 108,005	$ 50,391
Cumulative offsetting insurance recoveries recognized	(50,000)	(50,000)	(48,109)
Cumulative net expense	$ 111,431	$ 58,005	$ 2,282
Cumulative offsetting insurance recoveries paid	$ (50,000)	$ (50,000)	$ (29,968)

Recorded expenses have consisted primarily of payments to third-party service providers and consultants, including legal fees, settlement of the previously disclosed SEC and multi-state Attorneys General investigations (discussed below), settlements of customer claims and accruals for certain loss contingencies. Not included in the expenses discussed above were costs associated with enhancements to our cybersecurity program. We present expenses and insurance recoveries related to the Security Incident in general and administrative expense on our consolidated statements of comprehensive (loss) income and as operating activities on our consolidated statements of cash flows. Total costs related to the Security Incident exceeded the limit of our insurance coverage during the first quarter of 2022. We expect to continue to experience significant expenses related to our response to the Security Incident, resolution of legal proceedings, claims and investigations, including those discussed below, and our efforts to further enhance our cybersecurity measures. For full year 2023, we incurred net pre-tax expense of $53.4 million related to the Security Incident, which included $22.4 million for ongoing legal fees. It also includes settlements and additional accruals for loss contingencies of $31.0 million. Also, for full year 2023, we had net cash outlays of $78.0 million related to the Security Incident, which included ongoing legal fees, the $3.0 million civil penalty paid during the first quarter of 2023 related to the SEC settlement and the $49.5 million civil penalty paid during the fourth quarter of 2023 related to the multi-state Attorneys General settlement (discussed below). In line with our policy, legal fees are expensed as incurred. For full year 2024, we currently expect net pre-tax expense of approximately $5.0 million to $10.0 million and net cash outlays of approximately $8.0 million to $13.0 million for ongoing legal fees related to the Security Incident.

As of December 31, 2023, we have recorded approximately $1.5 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain customers related to the Security Incident that we believe we can reasonably estimate in accordance with our loss contingency procedures described above. Our liabilities for loss contingencies are recorded in accrued expenses and other current liabilities on our consolidated balance sheets. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss.

There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of December 31, 2023 because we are unable at this time to reasonably estimate the possible loss or range of loss. Each of these matters could, separately or in the aggregate, result in an adverse judgement, settlement, fine, penalty or other resolution, the amount, scope and timing of which we are currently unable to predict, but could have a material adverse impact on our results of operations, cash flows or financial condition.

Customer claims. To date, we have received approximately 260 specific requests for reimbursement of expenses, approximately 214 (or 82%) of which have been fully resolved and closed and approximately 39 (or 15%) are inactive and are considered by us to have been abandoned by the customers. We have also received approximately 400 reservations of the right to seek expense recovery in the future from customers or their attorneys in the U.S., U.K. and Canada related to the Security Incident, none of which resulted in claims submitted to us and are considered by us to have been abandoned by the customers. We have also received notices of proposed claims on behalf of a number of U.K. data subjects, which we are reviewing. In addition, insurance companies representing various customers' interests through subrogation claims have contacted us, and certain insurance companies have filed subrogation claims in court, of which 3 cases remain active and unresolved. Customer and insurer subrogation claims generally seek reimbursement of their costs and expenses associated with notifying their own customers of the Security Incident and taking steps to assure that personal information has not been compromised as a result of the Security Incident. Our review of customer and subrogation claims includes analyzing individual customer contracts into which we have entered, the specific claims made and applicable law.

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

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

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

Governmental investigations. We have received a Civil Investigative Demand from the office of the California Attorney General relating to the Security Incident and are in discussions with the Attorney General about potential resolution of issues arising from this investigation. Although we are hopeful that we can resolve this matter on acceptable terms, there is no assurance that we will be able to do so on terms acceptable to us and the State of California.

We also are subject to the following pending governmental actions:

- an investigation by the U.S. Federal Trade Commission (the "FTC"), as further described below; and
- an investigation by the U.S. Department of Health and Human Services.

We also responded to inquiries from the Office of the Australian Information Commissioner in September 2020 and the Office of the Privacy Commissioner of Canada in October 2020.

As previously disclosed, on February 1, 2024, the FTC announced its approval of an Agreement Containing Consent Order (the “Proposed Order”) evidencing its settlement with the Company in connection with the Security Incident. Pursuant to its rules, the FTC placed the Proposed Order and related draft complaint on the public record for a period of 30 days for the receipt of public comments after which the FTC will consider any comments received from interested persons prior to determining whether and in what form to finalize the Proposed Order. The 30-day comment period is scheduled to expire on March 14, 2024. As part of the FTC’s proposed order, the Company has not been fined and is not otherwise required to make any payment. Furthermore, the Company has agreed to the FTC’s proposed order without admitting or denying any of the FTC’s allegations, except as expressly stated otherwise in the Proposed Order. If finalized, the settlement described in the Proposed Order will fully resolve the FTC investigation. Although we believe the Proposed Order will be finalized in substantially its current form, there can be no assurances as to whether that will occur or its timing.

Under the terms of the Proposed Order, we have agreed (i) to not misrepresent (a) the extent to which we maintain, use, delete or disclose certain customer information, (b) the extent to which we protect the privacy, security, availability, confidentiality or integrity of such information or (c) the extent of any security incident or unauthorized disclosure, misuse, loss, theft, alteration, destruction or other compromise of such information, and (ii) to delete certain data, adopt and make public certain record retention limits, establish, implement and maintain a specified information security program, obtain regular independent assessments of the mandated information security program, provide to the FTC specified certifications regarding our compliance with the Proposed Order, provide to the FTC reports of any future security incidents and create and maintain specified recordkeeping.

For more information, see the form of Proposed Order that was furnished as Exhibit 99.2 to the Company’s Current Report on Form 8-K filed with the SEC on February 2, 2024.

As previously disclosed, on October 5, 2023, we entered into separate, substantially similar Administrative Orders with each of 49 state Attorneys General and the District of Columbia relating to the previously announced 2020 Security Incident in which a cyber-criminal removed a copy of a subset of data from our self-housed environment. This settlement fully resolves the previously disclosed multi-state Civil Investigative Demand and the separate Civil Investigative Demand from the Office of the Indiana Attorney General relating to the Security Incident (the “Multi-state Investigation”), which is further described in the substantially similar Administrative Orders filed in each of the 49 states and the District of Columbia.

Under the terms of the Administrative Orders, we have agreed: (i) to comply with state consumer protection laws, data breach notification laws, and the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”); (ii) not to make misleading misrepresentations to our customers or the individuals whose data is stored by us concerning (a) the extent to which we protect the privacy, security, confidentiality, or integrity of certain data, (b) the likelihood that data impacted by a security incident may be subject to unauthorized access, disclosure, or other misuse, or (c) the data breach notification requirements; and (iii) to implement and improve certain cybersecurity programs and tools.

As part of the Administrative Orders, we also agreed to pay, and have paid, a total of $49.5 million to the 49 states and District of Columbia. We entered into the Administrative Orders without admitting fault or liability in connection with the matters subject to the Multi-state Investigation. The form of Administrative Order was furnished as Exhibit 99.2 to our Current Report on Form 8-K filed with the SEC on October 5, 2023.

As previously disclosed, on March 9, 2023, we reached a settlement with the SEC in connection with the Security Incident. This settlement fully resolves the previously disclosed SEC investigation of the Security Incident and is further described in an SEC cease-and-desist order (the “SEC Order”). Under the terms of the SEC Order, we have agreed to cease-and-desist from committing or causing any violations or any future violations of Sections 17(a)(2) and (3) of the Securities Act of 1933, as amended (the “Securities Act”), and Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rules 12b-20, 13a-13 and 13a-15(a) thereunder. No other violations of the securities laws are alleged in the SEC Order. As part of the SEC Order, we also agreed to pay, and have paid, a civil penalty in the amount of $3.0 million. We consented to the entry of the SEC Order without admitting or denying the findings of the SEC Order, other than with respect to the SEC’s jurisdiction over the Company and the subject matter of the SEC Order. The SEC Order describing the settlement was furnished as Exhibit 99.1 and the SEC’s press release announcing this resolution was furnished as Exhibit 99.2 to our Current Report on Form 8-K filed with the SEC on March 9, 2023.

On September 28, 2021, the Information Commissioner’s Office in the United Kingdom under the U.K. Data Protection Act 2018 (the "ICO") notified us that it has closed its investigation of the Security Incident. Based on its investigation and having considered our actions before, during and after the Security Incident, the ICO issued our European subsidiary a reprimand in accordance with Article 58(2)(b) of the U.K. General Data Protection Regulation ("U.K. GDPR") due to our non-compliance, in the ICO's view, with the requirements set out in Article 32 of the U.K. GDPR regarding the processing of personal data. The ICO did not impose a penalty related to the Security Incident, nor did it impose any requirements for further action by us.

On September 24, 2021, we received notice from the Spanish Data Protection Authority that it has concluded its investigation of the Security Incident, pursuant to which our European subsidiary paid a penalty of €60,000 in relation to the alleged late notification of two Spanish data controllers regarding the Security Incident.

On January 15, 2021, we were notified by the Data Protection Commission of Ireland that it has concluded its investigation of the Security Incident without taking any action against us.

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

12. Income Taxes

We file income tax returns in the U.S. for federal and various state jurisdictions as well as in foreign jurisdictions including Canada, the U.K., Australia, Ireland and Costa Rica. We are generally subject to U.S. federal income tax examination for calendar tax years 2020 through 2023 as well as state and foreign income tax examinations for various years depending on statutes of limitations of those jurisdictions.

The following summarizes the components of income tax expense (benefit):

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Current taxes:			
U.S. Federal	$ 18,879	$ 3,485	$ (2,499)
U.S. State and local	12,331	5,708	(257)
International	8,982	7,283	6,570
Total current taxes	40,192	16,476	3,814
Deferred taxes:			
U.S. Federal	(18,303)	(16,880)	(4,615)
U.S. State and local	(5,895)	(9,319)	222
International	(170)	(445)	1,964
Total deferred taxes	(24,368)	(26,644)	(2,429)
Total income tax provision (benefit)	$ 15,824	$ (10,168)	$ 1,385

The following summarizes the components of income (loss) before provision for income taxes:

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
U.S.	$ (22,074)	$ (91,493)	$ (23,180)
International	39,718	35,918	30,263
Income (loss) before provision for income taxes	$ 17,644	$ (55,575)	$ 7,083

A reconciliation between the effect of applying the federal statutory rate and the effective income tax rate used to calculate our income tax provision is as follows:

	Years ended December 31,		
	2023	2022	2021
Federal statutory rate	21.0 %	21.0 %	21.0 %
Effect of:			
State income taxes, net of federal benefit	20.0	1.5	4.4
Change in foreign income tax rate applied to deferred tax balances	—	0.1	42.6
Change in state income tax rate applied to deferred tax balances	7.1	1.8	2.3
Nondeductible security incident-related fines or penalties	35.7	(8.7)	—
Section 162(m) limitation	30.1	(6.4)	75.0
Stock-based compensation	13.4	(6.3)	(36.2)
Change in valuation reserve (primarily state credit reserves)	10.8	(5.4)	26.1
GILTI inclusion	9.3	(2.6)	—
Foreign tax rate	6.1	1.0	(6.0)
Nondeductible meals, entertainment and transportation	4.4	(0.7)	1.1
Unrecognized tax benefit	0.7	0.5	(32.7)
Acquisition costs	—	—	8.7
Return to accrual adjustment	(8.3)	1.4	(4.2)
State credits, net of federal benefit	(9.1)	7.2	(32.6)
FDII benefit	(10.2)	2.3	—
Federal credits generated	(42.3)	11.5	(54.5)
Other	1.0	0.1	4.6
Income tax provision effective rate	89.7 %	18.3 %	19.6 %

The increase in our effective income tax rate for year ended December 31, 2023, when compared to the same period in 2022, was primarily attributable to higher 2023 non-deductible accruals for loss contingencies related to the Security Incident and other non-deductible expenses and tax rate changes, partially offset by increased tax credits. Furthermore, our 2023 effective tax rate was negatively impacted by higher tax rates in foreign jurisdictions in which we operate which were predominantly due to UK tax rate increases. The year-on-year comparison is further impacted by 2023 pre-tax income versus prior year pre-tax loss.

The significant components of our deferred tax assets and liabilities were as follows:

(dollars in thousands)	December 31, 2023	2022
Deferred tax assets relating to:		
Capitalized R&D and software costs	$ 47,351	$ 12,166
Federal, state and foreign tax credits	39,260	50,194
Stock-based compensation	24,717	21,166
Operating leases	12,867	14,024
Federal and state and foreign net operating loss carryforwards	7,061	10,369
Deferred revenue	5,992	1,820
Allowance for credit losses	1,702	1,803
Intangible assets	1,050	561
Accrued bonuses	314	455
Other	2,982	6,293
Total deferred tax assets	143,296	118,851
Deferred tax liabilities relating to:		
Intangible assets	(160,172)	(161,836)
Costs of obtaining contracts	(13,870)	(16,287)
Operating leases	(9,865)	(11,721)
Fixed assets	(5,833)	(9,827)
Other	(8,342)	(9,016)
Total deferred tax liabilities	(198,082)	(208,687)
Valuation allowance	(37,862)	(34,769)
Net deferred tax liability	$ (92,648)	$ (124,605)

As of December 31, 2023, our federal, foreign and state net operating loss carryforwards for income tax purposes were approximately $14.9 million, $3.8 million and $50.8 million, respectively. Of our federal net operating loss carryforwards, $12.4 million are subject to expiration beginning in 2024 while the remainder have an unlimited carryforward period. The state net operating loss carryforwards are subject to various applicable state tax laws. If not utilized, the state net operating loss carryforwards will expire over various periods beginning in 2024. Our foreign net operating loss carryforwards have an unlimited carryforward period. Our state tax credit carryforwards for income tax purposes were approximately $40.9 million, net of federal benefit. If not utilized, the state tax credit carryforwards will begin to expire in 2024. A portion of the foreign and state net operating loss carryforwards and state credit carryforwards have a valuation reserve due to management's uncertainty regarding the future ability to use such carryforwards.

The following table illustrates the change in our deferred tax asset valuation allowance:

Years ended December 31, (dollars in thousands)	Balance at beginning of year	Acquisition-related change	Charges to expense	Balance at end of year
2023	$ 34,769	$ —	$ 3,093	$ 37,862
2022	31,974	—	2,795	34,769
2021	29,184	893	1,897	31,974

The following table sets forth the change to our unrecognized tax benefit for the years ended December 31, 2023, 2022 and 2021:

	Years ended December 31,		
(dollars in thousands)	2023	2022	2021
Balance at beginning of year	$ 3,083	$ 3,651	$ 4,625
Increases from current period positions	762	629	1,751
Increases from prior period positions	101	89	6
Decreases in prior year positions	(118)	(908)	(57)
Settlements (payments)	(160)	—	(1,192)
Lapse of statute of limitations	(428)	(378)	(1,482)
Balance at end of year	$ 3,240	$ 3,083	$ 3,651

The total amount of unrecognized tax benefit that, if recognized, would favorably affect the effective tax rate was $3.2 million at December 31, 2023. Certain prior period amounts relating to our 2014 acquisitions were covered under indemnification agreements and, therefore, had a corresponding indemnification asset. Due to lapse of statute of limitations, the indemnified unrecognized tax benefit was released in 2022 resulting in income tax benefit with offsetting expense included in pretax income from corresponding release of indemnification asset. We recognize accrued interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. The total amount of accrued interest and penalties included in the consolidated balance sheet as of December 31, 2023 and December 31, 2022 was insignificant. The total amount of interest and penalties included in the consolidated statements of comprehensive income as an increase or decrease in income tax expense for 2023, 2022 and 2021 was insignificant.

We have taken federal and state tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits might decrease within the next twelve months. This possible decrease could result from the expiration of statutes of limitations. The reasonably possible decrease at December 31, 2023 was insignificant.

For our undistributed earnings of foreign subsidiaries, we concluded that these earnings would be permanently reinvested in the local jurisdictions and not repatriated to the United States except to the extent that said earnings are of previously taxed income. Accordingly, we have not provided for U.S. income taxes and foreign withholding taxes on those undistributed earnings of our foreign subsidiaries.

13. Stock-based Compensation

Employee stock-based compensation plans

Under the 2016 Equity and Incentive Compensation Plan Amended and Restated as of June 14, 2023 (the "2016 Equity Plan"), we may grant incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, other stock awards and cash incentive awards to employees, directors and consultants. Our Compensation Committee of the Board of Directors administers this plan and the stock-based awards are granted under terms determined by it.

The total number of authorized stock-based awards available under our plan was 3,363,270 as of December 31, 2023. We issue common stock from our pool of authorized stock upon exercise of stock options and stock appreciation rights, vesting of restricted stock units or upon granting of restricted stock.

Recently, we have issued three types of awards under our plans: restricted stock awards, time-based restricted stock units, and performance-based restricted stock units. The following table sets forth the number of awards outstanding for each award type as of:

	Outstanding at December 31,	
Award type	2023	2022
Restricted stock awards	1,101,702	1,345,608
Time-based restricted stock units	607,100	455,708
Performance-based restricted stock units	1,209,515	1,104,260

Awards granted to our executive officers and certain members of management are subject to accelerated vesting upon a change in control as defined in the employees' employment agreement or retention agreement.

Expense recognition

We recognize compensation expense associated with stock options and awards with performance or market based vesting conditions on an accelerated basis over the requisite service period of the individual grantees, which generally equals the vesting period. We recognize compensation expense associated with restricted stock awards and SARs on a straight-line basis over the requisite service period of the individual grantees, which generally equals the vesting period. We recognize the effect of awards for which the requisite service period is not rendered when the award is forfeited (that is, we recognize the effect of forfeitures in compensation cost when they occur). Previously recognized compensation cost for an award is reversed in the period that the award is forfeited.

Stock-based compensation expense is allocated to cost of revenue and operating expenses on the consolidated statements of comprehensive income based on where the associated employee's compensation is recorded. The following table summarizes stock-based compensation expense:

	Years ended December 31,		
(in thousands)	2023	2022	2021
Included in cost of revenue:			
Cost of recurring	$ 14,052	$ 11,258	$ 12,405
Cost of one-time services and other	2,606	3,178	7,547
Total included in cost of revenue	16,658	14,436	19,952
Included in operating expenses:			
Sales, marketing and customer success	24,892	21,409	20,283
Research and development	30,780	24,207	27,080
General and administrative	55,432	50,242	53,064
Total included in operating expenses	111,104	95,858	100,427
Total stock-based compensation expense	$ 127,762	$ 110,294	$ 120,379

The total amount of compensation cost related to unvested awards not recognized was $77.4 million at December 31, 2023. It is expected that this amount will be recognized over a weighted average period of 1.2 years.

Restricted stock awards

We have granted shares of common stock subject to certain restrictions under the 2016 Equity Plan. Restricted stock awards granted to employees vest in equal annual installments generally over three years from the grant date subject to the recipient's continued employment with us. Restricted stock awards granted to non-employee directors vest after one year from the date of grant or, if earlier, immediately prior to the next annual election of directors, provided the non-employee director is serving as a director at that time. The fair market value of the stock at the time of the grant is amortized on a straight-line basis to expense over the period of vesting. Recipients of restricted stock awards have the right to vote such shares and receive dividends, if declared.

The following table summarizes our unvested restricted stock awards as of December 31, 2023, and changes during the year then ended:

	Restricted stock awards	Weighted average grant-date fair value	Aggregate intrinsic value(1) (in thousands)
Unvested at January 1, 2023	1,345,608	$ 68.09	
Granted	473,341	62.59	
Forfeited	(106,634)	66.37	
Vested	(610,613)	69.86	
Unvested at December 31, 2023	1,101,702	64.92	$ 95,518

(1) The intrinsic value is calculated as the market value as of the end of the fiscal period.

The total fair value of restricted stock awards that vested during the years ended December 31, 2023, 2022 and 2021 was $42.7 million, $41.0 million and $38.5 million, respectively. The weighted average grant-date fair value of restricted stock awards granted during the years ended December 31, 2022 and 2021 was $60.90 and $77.39, respectively.

Restricted stock units

We have also granted restricted stock units subject to certain restrictions under the 2016 Equity Plan. Restricted stock units granted to employees vest in equal annual installments generally over three years from the grant date subject to the recipient's continued employment with us. We have also granted restricted stock units for which vesting is subject to meeting certain performance conditions. The fair market value of the stock at the time of the grant is amortized to expense on a straight-line basis over the period of vesting except for awards with performance conditions, which are amortized on an accelerated basis over the period of vesting.

The following table summarizes our unvested, time-based restricted stock units as of December 31, 2023, and changes during the year then ended:

	Time-based restricted stock units	Weighted average grant-date fair value	Aggregate intrinsic value(1) (in thousands)
Unvested at January 1, 2023	455,708	$ 68.81	
Granted	367,913	61.37	
Forfeited	(24,686)	64.57	
Vested	(191,835)	70.53	
Unvested at December 31, 2023	607,100	64.01	$ 52,636

(1) The intrinsic value is calculated as the market value as of the end of the fiscal period.

The total fair value of time-based restricted stock units that vested during the years ended December 31, 2023, 2022 and 2021 was $13.5 million, $9.3 million and $9.4 million, respectively. The weighted average grant date fair value of time-based restricted stock units granted for the years ended December 31, 2022 and 2021 was $62.38 and $77.74, respectively.

The following table summarizes our unvested, performance-based restricted stock units as of December 31, 2023, and changes during the year then ended:

	Performance-based restricted stock units	Weighted average grant-date fair value	Aggregate intrinsic value[(1)] (in thousands)
Unvested at January 1, 2023	1,104,260	$ 64.94	
Granted	967,252	59.62	
Forfeited	(72,428)	60.12	
Vested	(789,569)	64.45	
Unvested at December 31, 2023	1,209,515	61.29	$ 104,849

(1) The intrinsic value is calculated as the market value as of the end of the fiscal period.

The total fair value of performance-based restricted stock units that vested during the years ended December 31, 2023, 2022 and 2021 was $50.9 million, $50.5 million, and $44.9 million, respectively. The weighted average grant date fair value of performance-based restricted stock units granted for the years ended December 31, 2022 and 2021 was $61.79 and $71.91, respectively.

14. Stockholders' Equity

Preferred stock

Our Board of Directors may fix the relative rights and preferences of each series of preferred stock in a resolution of the Board of Directors.

Stock repurchase program

Under our stock repurchase program, we are authorized to repurchase shares from time to time in accordance with applicable laws both on the open market, including under trading plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and in privately negotiated transactions. The timing and amount of repurchases depends on several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program does not have an expiration date and may be limited, suspended or discontinued at any time without prior notice. Under the 2020 Credit Facility, we have restrictions on our ability to repurchase shares of our common stock, which are summarized on page 56 in this report.

We account for purchases of treasury stock under the cost method. During the year ended December 31, 2023, we repurchased 221,836 shares for $18.8 million. The remaining amount available to purchase stock under the then approved stock repurchase program was $231.2 million as of December 31, 2023.

On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our stock repurchase program by expanding the total capacity under the program from $250.0 million to $500.0 million available for purchase. Between January 1, 2024 and January 17, 2024, we repurchased $22.3 million under the prior authorization. Between January 18, 2024 and February 16, 2024, we repurchased an additional 7,114 shares for $0.6 million under the new authorization. The remaining amount available to purchase stock under the stock repurchase program was $499.4 million as of February 16, 2024.

Changes in accumulated other comprehensive income (loss) by component

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

	Years ended December 31,		
(in thousands)	2023	2022	2021
Accumulated other comprehensive income (loss), beginning of period	$ 8,938	$ 6,522	$ (2,497)
By component:			
Gains and losses on cash flow hedges:			
Accumulated other comprehensive income (loss) balance, beginning of period	$ 23,833	$ 5,257	$ (3,101)
Other comprehensive (loss) income before reclassifications, net of tax effects of $201, $(8,068) and $(1,982)	(271)	22,772	5,617
Amounts reclassified from accumulated other comprehensive (loss) income	(20,806)	(5,685)	3,714
Tax expense (benefit) included in provision for income taxes	5,402	1,489	(973)
Total amounts reclassified from accumulated other comprehensive (loss) income	(15,404)	(4,196)	2,741
Net current-period other comprehensive (loss) income	(15,675)	18,576	8,358
Accumulated other comprehensive income balance, end of period	$ 8,158	$ 23,833	$ 5,257
Foreign currency translation adjustment:			
Accumulated other comprehensive (loss) income balance, beginning of period	$ (14,895)	$ 1,265	$ 604
Translation adjustment	5,049	(16,160)	661
Accumulated other comprehensive (loss) income balance, end of period	(9,846)	(14,895)	1,265
Accumulated other comprehensive (loss) income, end of period	$ (1,688)	$ 8,938	$ 6,522

15. Defined Contribution Plan

We have a defined contribution 401(k) plan (the "401K Plan") covering substantially all employees. Employees were able to contribute between 1% and 75% of their salaries in 2023, 2022 and 2021. We match 50% of qualified employees' contributions up to 6% of their salary. The 401K Plan also provides for additional employer contributions to be made at our discretion. Total matching contributions to the 401K Plan for the years ended December 31, 2023, 2022 and 2021 were $7.8 million, $9.3 million and $6.5 million, respectively.

There were no discretionary contributions by us to the 401K Plan in 2023, 2022 and 2021.

16. Segment Information

Our chief operating decision maker is our chief executive officer ("CEO"). Our CEO uses consolidated financial information to make operating decisions, assess financial performance and allocate resources. We have one operating segment and one reportable segment.

The following table presents long-lived assets by geographic region based on the location of the assets. For purposes of this disclosure, long-lived assets includes property and equipment, net and operating lease ROU assets.

	Years ended December 31,	
(dollars in thousands)	2023	2022
United States	$ 134,316	$ 151,656
Other countries	1,300	1,669
Total long-lived assets	$ 135,616	$ 153,325

See Note 17 to these consolidated financial statements for information about our revenues by geographic region.

17. Revenue Recognition

Transaction price allocated to the remaining performance obligations

As of December 31, 2023, approximately $1.2 billion of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 50% of these remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

We applied the practical expedient in ASC 606-10-50-14 and have excluded the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less (one-time services); and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed (transactional revenue).

We also applied the practical expedient in ASC 606-10-65-1-(f)(3), whereby the transaction price allocated to the remaining performance obligations, or an explanation of when we expect to recognize that amount as revenue for all reporting periods presented before the date of the initial application, is not disclosed.

Contract balances

Our contract assets as of December 31, 2023 and December 31, 2022 were insignificant. Our closing balances of deferred revenue were as follows:

(in thousands)	December 31, 2023	December 31, 2022
Total deferred revenue	$ 394,927	$ 385,236

The increase in deferred revenue during 2023 was primarily due to new subscription sales of our cloud solutions and progress in initiatives to bring our pricing in line with the market. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. Generally, our lowest balance of deferred revenue during the year is at the end of our first quarter. The amount of revenue recognized during 2023 that was included in the deferred revenue balance at the beginning of the period was approximately $365 million. The amount of revenue recognized during 2023 from performance obligations satisfied in prior periods was insignificant.

Disaggregation of revenue

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

(dollars in thousands)	Years ended December 31, 2023	2022	2021
United States	$ 945,580	$ 896,116	$ 777,333
United Kingdom	100,833	101,026	89,688
Other countries	59,019	60,963	60,719
Total revenue	$ 1,105,432	$ 1,058,105	$ 927,740

The Social Sector and Corporate Sector market groups comprised our go-to-market organizations as of December 31, 2023. The following is a description of each market group as of that date:

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

- The Corporate Sector market group focuses on sales to customers and prospects in the corporate sector globally, and includes EVERFI and YourCause.

The following table presents our revenue by market group:

(dollars in thousands)	Years ended December 31, 2023	2022	2021
Social Sector	$ 954,845	$ 907,197	$ 889,755
Corporate Sector	150,587	150,908	37,985
Total revenue	$ 1,105,432	$ 1,058,105	$ 927,740

The following table presents our recurring revenue by type:

(dollars in thousands)	Years ended December 31, 2023	2022	2021
Contractual recurring	$ 738,351	$ 709,097	$ 601,397
Transactional recurring	333,169	302,636	279,453
Total recurring revenue	$ 1,071,520	$ 1,011,733	$ 880,850

18. Subsequent Events

Stock Repurchase Program

On January 17, 2024, our Board of Directors reauthorized, expanded and replenished our existing stock repurchase program. The expansion raised the total capacity under the stock repurchase program from $250.0 million to $500.0 million available for repurchases. The program does not have an expiration date.

During December 2023 and January 2024, prior to the replenishment on January 17, 2024, we repurchased $41.1 million of our common stock under the stock repurchase program. Between January 18, 2024 and February 16, 2024, we repurchased $0.6 million. As of February 16, 2024, the remaining amount available to purchase stock under our repurchase program was $499.4 million. All of the Company's stock repurchases during the fourth quarter of 2023 and the first quarter of 2024 were made pursuant to an SEC Rule 10b5-1(c) trading arrangement.

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

Additional information regarding the stock repurchase program reauthorization is contained in the Company's Current Report on Form 8-K filed with the SEC on January 22, 2024.

FTC Settlement

On February 1, 2024, the FTC announced its approval of a Proposed Order evidencing its settlement with the Company, subject to public review and comment, relating to the Security Incident. If finalized, this settlement will fully resolve the previously disclosed FTC investigation relating to the Security Incident, which is further described in the FTC’s Proposed Order.

Under the terms of the Proposed Order, the Company has agreed to certain conditions, which are reflected in their entirety in the Proposed Order. As part of the Proposed Order, the Company has not been fined and is not otherwise required to make any payment.

The Company has agreed to the Proposed Order without admitting or denying any of the FTC's allegations, except as expressly stated otherwise in the Proposed Order. For more information regarding this settlement or the Proposed Order, see Note 11 to these condensed consolidated financial statements. See also the Proposed Order, which was furnished as Exhibit 99.2 to the Company’s Current Report on Form 8-K filed with the SEC on February 2, 2024.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

No changes in internal control over financial reporting occurred during the most recent fiscal quarter ended December 31, 2023 with respect to our operations that 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, 2023, based on the framework in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)*. Based on this evaluation under the *Internal Control - Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by our independent registered public accounting firm, as stated in their attestation report, which is included in Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Trading Plans Adopted or Terminated

The following table provides information about trading arrangements adopted or terminated by certain of our officers and directors during the three months ended December 31, 2023.

Name and Title	Action	Date of Adoption	Plan effective date	Plan end date	Plan duration (months)	Trading arrangement[(1)] Rule 10b5-1	Trading arrangement[(1)] Non-Rule 10b5-1	Aggregate number of securities to be sold under plan
Michael P. Gianoni Chief Executive Officer, President and Vice Chairman of the Board	Adoption	11/07/23	2/26/24	8/09/24	Six	X		50,000
Anthony W. Boor Executive Vice President and Chief Financial Officer	Adoption	11/07/23	2/26/24	8/09/24	Six	X		30,000
Kevin P. Gregoire Executive Vice President and Chief Operating Officer	Adoption	11/15/23	2/26/24	11/01/24	Nine	X		13,000
Kevin R. McDearis Executive Vice President and Chief Technology Officer	Adoption	11/17/23	3/06/24	6/04/24	Three	X		5,253 (2)
Jon W. Olson Senior Vice President and General	Adoption	11/21/23	3/06/24	9/27/24	Seven	X		9,200

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

(2) Represents the target quantity of Performance Share Awards which may be subject to a performance multiplier; therefore, the aggregate number of shares to be sold may be equal to, greater than or less than the target quantity.

None of our officers or directors adopted or terminated a non-Rule 10b5-1 trading arrangement during the three months ended December 31, 2023.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to Directors and Executive Officers is incorporated by reference from the information under the captions “Election of Directors,” “Information Regarding Meetings of the Board and Committees,” “Delinquent Section 16(a) Reports,” and “Code of Business Conduct and Ethics and Code of Ethics,” contained in Blackbaud’s Proxy Statement for the 2024 Annual Meeting of Stockholders expected to be held on June 12, 2024, except for "Information About Our Executive Officers" which is set forth in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the information under the captions "Director Compensation," “Executive Compensation,” “Compensation Discussion and Analysis,” “2023 Summary Compensation Table,” "CEO Pay Ratio" and "Pay Versus Performance" contained in Blackbaud’s Proxy Statement for the 2024 Annual Meeting of Stockholders expected to be held on June 12, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated by reference from information under the captions “Stock Ownership” and "Equity Compensation Plan Information" contained in Blackbaud’s Proxy Statement for the 2024 Annual Meeting of Stockholders expected to be held on June 12, 2024.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference from the information under the captions “Transactions with Related Persons,” and “Independence of Directors” contained in Blackbaud’s Proxy Statement for the 2024 Annual Meeting of Stockholders expected to be held on June 12, 2024.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference from the information under the caption “Audit Committee Report,” contained in Blackbaud’s Proxy Statement for the 2024 Annual Meeting of Stockholders expected to be held on June 12, 2024.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are included as part of the Annual Report on Form 10-K:

1. *Financial statements*

See the "Index to consolidated financial statements" in Part II Item 8 of this report.

There were no retrospective changes to the Consolidated Statement of Operations for any quarters in the two most recent fiscal years that would require disclosure under Item 302, as amended.

2. *Financial statement schedules*

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.

3. *Exhibits*

The exhibits listed below are filed or incorporated by reference as part of this report:

		Filed In			
Exhibit Number	**Description of Document**	**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	Purchase Agreement, dated August 30, 2014, by and among MicroEdge Holdings, LLC, Blackbaud, Inc, direct and indirect holders of all of the outstanding equity interests of MicroEdge Holdings, LLC, and VFF I AIV I, L.P., as Sellers' Representative	8-K	10/2/2014	10.76	
2.3	Unit Purchase Agreement, dated as of August 10, 2015, by and between Smart Tuition Holdings, LLC and Blackbaud, Inc.	8-K	10/8/2015	10.78	
2.4	Amendment, Consent and Waiver, Agreement dated as of October 2, 2015, by and between Smart Tuition Holdings, LLC and Blackbaud, Inc.	8-K	10/8/2015	10.79	
2.5	Agreement and Plan of Merger, dated as of December 30, 2021, by and among Blackbaud, Inc., Project Montessori Acquisition, Inc., EverFi, Inc. and Eon Stockholder Representative, LLC	8-K	1/3/2022	2.1	
3.1	Amended and Restated Certificate of Incorporation of Blackbaud, Inc.	DEF 14A	4/30/2009		
3.2	Certificate of Designation of Series A Junior Participating Preferred Stock of Blackbaud, Inc.	8-K	10/11/2022	3.1	
3.3	Amended and Restated Bylaws of Blackbaud, Inc. dated December 7, 2023	8-K	12/11/2023	3.1	
4.1	Description of Capital Stock				X
4.2	Stockholder Rights Agreement, dated as of October 7, 2022, between Blackbaud, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent	8-K	10/11/2022	4.1	

Exhibit Number		Description of Document	Filed In: Registrant's Form	Filed In: Dated	Filed In: Exhibit Number	Filed Herewith
4.3		Amendment to Stockholder Rights Agreement, dated as of October 2, 2023, between Blackbaud, Inc. and Equiniti Trust Company, LLC (f/k/a American Stock Transfer & Trust Company, LLC), as Rights Agent.	8-K	10/2/2023	4.2	
4.4		Amendment to Stockholder Rights Agreement, dated as of January 26, 2024, between Blackbaud, Inc. and Broadridge Corporate Issuer Solutions, LLC, as Rights Agent.	8-K	1/26/2024	4.3	
10.1	†	Form of Employment Agreement between Blackbaud, Inc. and each of Anthony W. Boor and Kevin W. Mooney	10-K	2/27/2013	10.65	
10.2	†	Form of Employment Agreement between Blackbaud, Inc. and Jon W. Olson	10-K	2/27/2013	10.65	
10.3		Lease Agreement dated May 16, 2016 between BBHQ1, LLC (a subsidiary of Blackbaud, Inc.) and HPBB1, LLC	10-Q	8/4/2016	10.84	
10.4		First Amendment to Lease Agreement, dated as of August 22, 2016, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	11/4/2016	10.87	
10.5		Second Amendment to Lease Agreement, dated as of May 18, 2017, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-K	2/20/2018	10.93	
10.6		Third Amendment to Lease Agreement, dated as of December 11, 2017, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-K	2/20/2018	10.94	
10.7		Fourth Amendment to Lease Agreement, dated as of February 28, 2018, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	5/4/2018	10.95	
10.8	†	Offer Letter Agreement between Blackbaud, Inc. and Kevin P. Gregoire	10-Q	5/3/2019	10.96	
10.9	†	Form of Employee Agreement between Blackbaud, Inc. and Kevin P. Gregoire	10-Q	5/3/2019	10.97	
10.10		Fifth Amendment to Lease Agreement, dated as of February 18, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.1	
10.11		Sixth Amendment to Lease Agreement, dated as of March 17, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.2	
10.12		Seventh Amendment to Lease Agreement, dated as of April 14, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.3	
10.13		Eighth Amendment to Lease Agreement, dated as of May 26, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.4	
10.14		Ninth Amendment to Lease Agreement, dated as of June 8, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.5	

Exhibit Number	Description of Document	Filed In: Registrant's Form	Dated	Exhibit Number	Filed Herewith
10.15	Tenth Amendment to Lease Agreement, dated as of June 26, 2020, between HPBB1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	8/4/2020	10.7	
10.16	Eleventh Amendment to Lease Agreement, dated as of August 13, 2020, between BBHQ1, LLC and BBHQ1, LLC (a subsidiary of Blackbaud, Inc.)	10-Q	11/3/2020	10.3	
10.17	Amended and Restated Credit Agreement, dated as of October 30, 2020, by and among Blackbaud, Inc., and certain of its subsidiaries, as Borrowers, the lenders referred to therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and Issuing Lender, PNC Bank, National Association, as Syndication Agent, and Regions Bank, BBVA USA and Fifth Third Bank, National Association, as Co-Documentation Agents, with BofA Securities, Inc., PNC Bank, National Association, Regions Capital Markets, BBVA USA and Fifth Third Bank, National Association as Joint Lead Arrangers and Joint Bookrunners	10-Q	11/3/2020	10.4	
10.18	Amended and Restated Pledge Agreement, dated as of October 30, 2020, by Blackbaud, Inc. in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of itself and the secured parties referred to therein	10-Q	11/3/2020	10.5	
10.19 †	Form of Employment Agreement between Blackbaud, Inc. and Kevin McDearis	10-Q	5/4/2021	10.1	
10.20	LIBOR Transition Amendment, dated as of September 20, 2021, between Blackbaud, Inc. and Bank of America, N.A.	10-Q	11/4/2021	10.1	
10.21	First Incremental Term Loan Agreement, dated as of December 31, 2021, by and among Blackbaud, Inc., the lenders party thereto and Bank of America N.A., as administrative agent	8-K	1/3/2022	10.1	
10.22	Registration Rights Agreement, dated as of December 31, 2021, by and among Blackbaud, Inc., EverFi, Inc., TPG Eon, L.P., each other shareholder party thereto and Eon Stockholder Representative, LLC	8-K	1/3/2022	10.2	
10.23	First Amendment to Credit Agreement, dated as of January 31, 2022, by and among Blackbaud, Inc., the lenders party thereto and Bank of America N.A., as administrative agent	8-K	2/3/2022	10.1	
10.24	LIBOR Transition Amendment, dated as of August 26, 2022, between Blackbaud, Inc. and Bank of America, N.A.	10-Q	3/1/2022	10.2	
10.25 †	Amended and Restated Employment and Noncompetition Agreement dated September 20, 2022 between Blackbaud, Inc. and Michael P. Gianoni	8-K	9/21/2022	10.1	

Exhibit Number	Description of Document	Filed In: Registrant's Form	Dated	Exhibit Number	Filed Herewith
10.26	Consent Agreement, dated as of January 23, 2023, between Blackbaud, Inc. and Bank of America, N.A.	10-K	2/24/2023	10.30	
10.27 †	Amended and Restated Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan	DEF 14A	4/25/2023	Appendix B	
10.28	Form of Retention Agreement dated as of April 24, 2023 between Blackbaud, Inc. and each of Anthony W. Boor, David J. Benjamin, Kevin P. Gregoire, Kevin R. McDearis, Kevin W. Mooney and Jon W. Olson	10-Q	5/4/2023	10.1	
10.29	Relocation Agreement dated June 8, 2023 between Blackbaud, Inc. and David J. Benjamin.	8-K	6/12/2023	10.1	
21.1	Subsidiaries of Blackbaud, Inc.				X
23.1	Consent of Independent Registered Public Accounting Firm				X
23.2	Consent of Independent Registered Public Accounting Firm				X
23.3	Consent of Sidley Austin LLP	8-K	4/1/2022	23.1	
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
97.1	Blackbaud, Inc. Executive Incentive Compensation Clawback Policy				X
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL Document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				X

† Indicates management contract or compensatory plan, contract or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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 to be signed on its behalf by the undersigned, thereunto duly authorized.

Blackbaud, Inc.

Signed: February 21, 2024

/S/ MICHAEL P. GIANONI
Chief Executive Officer, President and Vice Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the Registrant and on the dates indicated.

/S/ MICHAEL P. GIANONI **Michael P. Gianoni**	Chief Executive Officer, President and Vice Chairman of the Board (Principal Executive Officer)	Date: February 21, 2024
/S/ ANTHONY W. BOOR **Anthony W. Boor**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	Date: February 21, 2024
/S/ ANDREW M. LEITCH **Andrew M. Leitch**	Chairman of the Board of Directors	Date: February 21, 2024
/S/ DENEEN DEFIORE **Deneen DeFiore**	Director	Date: February 21, 2024
/S/ GEORGE H. ELLIS **George H. Ellis**	Director	Date: February 21, 2024
/S/ YOGESH K. GUPTA **Yogesh K. Gupta**	Director	Date: February 21, 2024
/S/ RUPAL S. HOLLENBECK **Rupal S. Hollenbeck**	Director	Date: February 21, 2024
/S/ D. ROGER NANNEY **D. Roger Nanney**	Director	Date: February 21, 2024
/S/ SARAH E. NASH **Sarah E. Nash**	Director	Date: February 21, 2024
/S/ KRISTIAN P. TALVITIE **Kristian P. Talvitie**	Director	Date: February 21, 2024

DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

General

The following is a summary of information concerning the capital stock of Blackbaud, Inc (the "Company"), which consists of (i) up to 180,000,000 shares of common stock, par value $0.001 per share (the "Common Stock"), (ii) up to 20,000,000 shares of preferred stock in one or more classes or series as may be determined by the Company's board of directors (the "Board of Directors") in its discretion, and (iii) preferred share purchase rights (the "Rights"). The Common Stock and the Rights are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, and are more fully described below.

The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), Amended and Restated Bylaws (the "Bylaws") and Rights Agreement (as defined below), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part and are entirely qualified by these documents. We encourage you to read the Certificate of Incorporation, Bylaws, Rights Agreement and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

Common Stock

Voting rights

The holders of Common Stock are entitled to one vote per share on all matters to be voted on by the stockholders, and there are no cumulative voting rights. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of Common Stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock; provided, however, that in all director elections that are contested, the nominees for election as a director shall be elected by a plurality of the votes cast. For purposes of the foregoing, an election shall be "contested" if, as of the tenth day preceding the date of the filing of the Company's definitive proxy statement for such meeting of stockholders, the number of nominees for director exceeds the number of directors to be elected. The Board of Directors is divided into three classes of directors, as described below.

Dividend rights

The holders of Common Stock are entitled to receive ratable dividends, if any, payable in cash, in stock or otherwise, as and when declared from time to time by the Board of Directors out of funds legally available for the payment of dividends, subject to any preferential rights that may be applicable to any outstanding preferred stock.

Other rights and preferences

In the event of a liquidation, dissolution, or winding up of the Company, after payment in full of all outstanding debts and other liabilities, the holders of Common Stock are entitled to share ratably in all remaining assets, subject to prior distribution rights of preferred stock, if any, then outstanding. No shares of Common Stock have preemptive rights or other subscription rights to purchase additional shares of Common Stock. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and nonassessable.

The rights, preferences, and privileges of holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future, as described below. All shares of Common Stock that are acquired by the Company shall be available for reissuance by the Company, at the sole-discretion of the Board of Directors at any time.

Transfer agent and registrar

The transfer agent and registrar for the Common Stock is Broadridge Corporate Issuer Solutions, LLC, and its telephone number is (877) 830-4936.

Nasdaq listing

The Common Stock is listed for trading on Nasdaq Global Select Market under the ticker symbol “BLKB.”

Anti-takeover Effects of Delaware Law, Provisions of the Certificate of Incorporation, Bylaws and the Rights Agreement

Certain provisions of the DGCL, the Certificate of Incorporation, Bylaws and the Rights Agreement may have the effect of delaying, deferring or preventing a change in control of the Company or deterring tender offers for Common Stock, proxy contests or other takeover attempts, including discouraging attempts that might result in the payment of a premium over the market price for the shares of Common Stock.

Delaware anti-takeover law

We are subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless:

- the board of directors approved the transaction in which the stockholder became an interested stockholder prior to the date the interested stockholder attained that status;
- when the stockholder became an interested stockholder, he or she or it owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers, as well as certain shares owned by employee benefits plans; or
- on or subsequent to the date the business combination is approved by the board of directors, the business combination is authorized by the affirmative vote of at least 66 2/3% of the voting stock of the corporation at an annual or special meeting of stockholders.

Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns, or is an affiliate or associate of the corporation, and within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation’s voting stock.

Certificate of Incorporation and Bylaw provisions

Classified Board of Directors. The Board of Directors is divided into three classes of directors, as nearly equal in number as possible, with each class serving a staggered term of three years. Any vacancy on the Board of Directors, regardless of the reason for the vacancy, may be filled by vote of the majority of the directors then in office, except in the case of a vacancy caused by action of the stockholders, which vacancy may only be filled by the stockholders. Directors may be removed from office at any time with or without cause, but only by the holders of a majority of the shares entitled to vote at an election of directors. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of the Board of Directors and could also discourage a third-party from making a tender offer or otherwise attempting to obtain control of the Company, and may maintain the incumbency of the Board of Directors.

Advance notice requirement for stockholder proposals, including director nominations. The Bylaws contain an advance notice procedure for stockholders proposals to be brought before a meeting of stockholders, including any proposed nominations of persons for election to the Board of Directors. Stockholders at a meeting may only consider proposals or nominations specified in the notice of meeting, or brought before the meeting by or at the direction of the Board of Directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting, who has given to the Company’s Secretary timely written notice, in proper form, of the stockholder’s intention to bring that business before the meeting, and who has otherwise complied with the Bylaws. Although the Bylaws do not give the Board of Directors the power to approve or disapprove stockholder nominations of candidates for election to the Board of Directors or proposals regarding other business to be conducted at a special or annual meeting of the stockholders, the Bylaws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed, or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

“Blank” Preferred Stock. The Board of Directors has the authority to issue up to an aggregate of 20,000,000 shares of preferred stock in one or more classes or series and to determine, with respect to any such class or series, the designations, powers, preferences and rights of such class or series, and the qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption prices, liquidation preferences, and the number of shares constituting any class

or series or the designation of such class or series, without further vote or action by the stockholders. This preferred stock could have terms that may discourage a potential acquirer from making, without first negotiating with the Board of Directors, an acquisition attempt through which such acquirer may be able to change the composition of the Board of Directors, including a tender offer or other takeover attempt. No shares of preferred stock are currently outstanding.

Emergency Special Meeting of the Board of Directors. The Board of Directors possesses the authority to call and hold emergency special meetings of the Board of Directors with less than forty-eight hours' notice. This power to hold an emergency special meeting of the Board of Directors on short notice could discourage a potential acquirer from launching a bid to acquire majority ownership of the Company, a proxy solicitation in order to replace the current Board of Directors, or otherwise attempting to obtain control of the Company, as such attempts could quickly be thwarted or denied by the Board of Directors.

Stockholder Rights Agreement

As more fully described below, on October 7, 2022, the Company declared a dividend of one preferred share purchase right for each of the Company's issued and outstanding shares of Common Stock. The description and terms of these Rights are set forth in the Stockholder Rights Agreement, dated as of October 7, 2022, as amended on October 2, 2023 and January 26, 2024 (the "Rights Agreement"), by and between the Company and Broadridge Corporate Issuer Solutions, LLC, as successor rights agent to American Stock Transfer & Trust Company, LLC (the "Rights Agent"). Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from us one one-thousandth of a share of the Series A Junior Participating Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock") at a price of $313.00, subject to certain adjustments (as adjusted from time to time, the "Exercise Price"). Under the Rights Agreement, the Rights will become exercisable if an entity, person or group acquires beneficial ownership of 20% or more of the outstanding Common Stock in a transaction not approved by the Board of Directors. In the event that the Rights become exercisable due to the ownership threshold being crossed, each Right will entitle its holder (other than the person, entity or group triggering the Rights Plan, whose rights will become void and will not be exercisable) to purchase additional shares of Common Stock having a then-current market value of twice the Exercise Price. Subject to the terms of the Rights Agreement, the Rights will expire on October 2, 2024. Additional information regarding the Rights Agreement is contained in Forms 8-K filed with the SEC on October 11, 2022, October 2, 2023 and January 26, 2024.

Preferred Stock Purchase Rights

Voting and dividend rights

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Other rights and preferences

As stated above, on October 7, 2022, the Company declared a dividend of one preferred share purchase right for each of the Company's issued and outstanding shares of Common Stock. The dividend will be paid to the stockholders of record at the close of business on October 17, 2022 (the "Record Date"). Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company's Series A Preferred Stock at a price of $313.00, subject to certain adjustments.

Subject to certain exceptions, the Rights will not be exercisable until the earlier to occur of (i) the close of business on the tenth business day after a public announcement or filing that a person has, or group of affiliated or associated persons have, become an "Acquiring Person," which is defined as a person or group of affiliated or associated persons who, at any time after the date of the Rights Agreement, have acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the Company's outstanding shares of Common Stock, subject to certain exceptions, or (ii) the close of business on the tenth business day after the date that a tender offer or exchange offer is first published or sent or given by any person, the consummation of which would result in such person becoming an Acquiring Person (the earlier of such dates being called the "Distribution Time").

The Rights Agreement provides that, until the Distribution Time (or earlier expiration or redemption of the Rights), the Rights will be transferred with and only with the Common Stock. Until the Distribution Time (or earlier expiration or redemption of the Rights), new Common Stock certificates issued after the Record Date upon transfer or new issuances of Common Stock will contain a legend incorporating the Rights Agreement by reference, and notice of such legend will be furnished to holders of book entry shares. Until the Distribution Time (or earlier expiration or redemption of the Rights), the surrender for transfer of any certificates for shares of Common Stock (or book entry shares of Common Stock) outstanding as of the Record Date will also constitute the transfer of the Rights associated with the shares of Common Stock represented by such certificate or registered in book entry form. As soon as practicable following the Distribution Time, separate certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Time, and such separate Rights Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Time. The Rights will expire prior to the earliest of (i) the close of business on October 2, 2024, or such later date as may be established by the Board as long as the extension is submitted to the stockholders of the Company for ratification at the next annual meeting of stockholders succeeding such extension; (ii) the time at which the Rights are redeemed pursuant to the Rights Agreement; (iii) the time at which the Rights are exchanged pursuant to the Rights Agreement; and (iv) upon the occurrence of certain transactions (the earliest of (i), (ii), (iii) and (iv) is referred to as the "Expiration Date").

Each share of Series A Preferred Stock will be entitled, when, as and if declared, to a minimum preferential per share quarterly dividend payment equal to the greater of (i) $1.00 per share and (ii) an amount equal to 1,000 times the dividend declared per share of Common Stock. In the event of liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Stock will be entitled to a minimum preferential payment of the greater of (i) $1,000.00 per share (plus any accrued but unpaid dividends), and (ii) an amount equal to 1,000 times the payment made per share of Common Stock. Each share of Series A Preferred Stock will have 1,000 votes, voting together with the Common Stock. In the event of any merger, consolidation or other transaction in which outstanding shares of Common Stock are converted or exchanged, each share of Series A Preferred Stock will be entitled to receive 1,000 times the amount received per share of Common Stock. These Rights are protected by customary anti-dilution provisions as further described in the Certificate of Incorporation and Bylaws.

The Exercise Price payable, and the number of shares of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock, (ii) upon the grant to holders of the Series A Preferred Stock of certain rights or warrants to subscribe for or purchase Series A Preferred Stock at a price, or securities convertible into Series A Preferred Stock with a conversion price, less than the then-current market price of the Series A Preferred Stock or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Series A Preferred Stock) or of subscription rights or warrants (other than those referred to above).

In the event that any person or group of persons becomes an Acquiring Person, each holder of a Right, other than the Rights beneficially owned by the Acquiring Person, affiliates and associates of the Acquiring Person and certain transferees thereof (which will thereupon become null and void), will, following the Distribution Time, have the right to receive upon exercise of a Right that number of shares of Common Stock (or at the option of the Company, other securities of the Company) having a market value of two times the Exercise Price, unless the Rights were earlier redeemed or exchanged.

In the event that, after a person or group of persons has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction or 50% or more of the Company's consolidated assets or earning power are sold, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person, affiliates and associates of the Acquiring Person and certain transferees thereof which will have become null and void) will thereafter have the right to receive upon the exercise of a Right that number of shares of Common Stock of the person with whom the Company has engaged in the foregoing transaction (or its parent) that at the time of such transaction have a market value of two times the Exercise Price of the Right.

With certain exceptions, no adjustment in the Exercise Price will be required until cumulative adjustments require an adjustment of at least 1% in such Exercise Price. No fractional shares of Series A Preferred Stock or Common Stock will be issued (other than fractions of shares of Series A Preferred Stock which are integral multiples of one one-thousandth of a share of Series A Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the Series A Preferred Stock or the Common Stock.

At any time after any person or group of persons becomes an Acquiring Person and prior to the acquisition of beneficial ownership by such Acquiring Person of 50% or more of shares of Common Stock then outstanding, the Board of Directors, at its option, may exchange all or part of the Rights (other than Rights beneficially owned by such Acquiring Person and certain transferees thereof which will have become null and void) at an exchange ratio of one share of Common Stock per outstanding Right (subject to adjustment).

At any time before the Distribution Time, the Board of Directors may authorize the redemption of the Rights in whole, but not in part, at a price of $0.001 per Right (subject to certain adjustments) (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors, in its sole discretion, may establish. Immediately upon the action of the Board of Directors electing to redeem or exchange the Rights, the Company shall make announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

In the event the Company receives a Qualifying Offer (as defined in the Rights Agreement) and the Company does not redeem the outstanding Rights, the Company may exempt such Qualifying Offer from the Rights Agreement, or call a special meeting of stockholders to vote on whether or not to exempt such Qualifying Offer from the Rights Agreement, in each case within 90 days of the commencement of the Qualifying Offer (the “Board Evaluation Period”). The holders of record of 20% or more of the outstanding Common Stock (excluding shares of Common Stock that are beneficially owned by the person making the Qualifying Offer and such person’s related persons) may submit a written demand directing the Board of Directors to submit a resolution exempting the Qualifying Offer from the Rights Agreement to be voted upon at a special meeting to be convened within 90 days following the receipt of the written demand (the “Special Meeting Period”). Subject to the terms of the Rights Agreement, the Board of Directors must take the necessary actions to cause such resolution to be submitted to a vote of stockholders at a special meeting within the Special Meeting Period; however, the Board of Directors may recommend in favor of or against or take no position with respect to the adoption of the resolution, as it determines to be appropriate in the exercise of the Board of Directors’ fiduciary duties.

For so long as the Rights are redeemable, the Company may from time to time in its sole discretion supplement or amend the Rights Agreement in any respect without the approval of any holders of Rights, and the Rights Agent shall, if the Company so directs, execute such supplement or amendment. However, from and after the time when the Rights are no longer redeemable, the Rights Agreement may not be amended or supplemented in any manner that would, among other things, adversely affect the interests of the holders of Rights (other than holders of Rights that have become null and void).

Transfer agent and registrar

The transfer agent and registrar for the Series A Preferred Stock is Broadridge Corporate Issuer Solutions, LLC, and its telephone number is (877) 830-4936.

Nasdaq listing

The Series A Preferred Stock is listed for trading on Nasdaq Global Select Market.

EXHIBIT 21.1

SUBSIDIARIES OF BLACKBAUD, INC.

As of February 21, 2024

	Organized Under Laws of:
Blackbaud, Inc.	**Delaware**
Subsidiaries	
ACN 161 644 328 Pty. Ltd.	Australia
BB Real Property Development, LLC	Delaware
BBHQ1, LLC	Delaware
BB US-DCL, LLC	Delaware
BB US-SIS, LLC	Delaware
Blackbaud Asia, Ltd.	Hong Kong
Blackbaud Canada, Inc.	Canada
Blackbaud Europe Ltd.	Scotland
Blackbaud Global Ltd.	England and Wales
Blackbaud Latin America, S.R.L.	Costa Rica
Blackbaud Pacific Pty. Ltd.	Australia
Click 4 Compliance, LLC	Virginia
Ed Comms Pty Ltd.	Australia
Educational Communications Ltd.	England and Wales
EverFi, Inc.	Delaware
EverFi Canada, Inc.	Canada
EVERFI International Ltd.	England and Wales
EVERFI Middle East Ltd.	England and Wales
Everyday Hero Pty. Ltd.	Australia
Giving.com Limited	England and Wales
Giving Limited	England and Wales
JGCrowdfunding USA, LLC	Delaware
JG US Inc.	Delaware
Lawroom.com	CA C-Corp
MyCharity, Ltd.	Ireland
Blackbaud Tuition Management, LLC	Delaware
YC Blocker 1, LLC	Delaware
YourCause Holdings, LLC	Delaware
YourCause, LLC	Texas

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-272678 pertaining to the Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan Amended and Restated as of June 14, 2023,
2. Registration Statement (Form S-8 No. 333-265527) pertaining to the Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan Amended and Restated as of June 9, 2022,
3. Registration Statement (Form S-3 No. 333-262190) of Blackbaud, Inc.,
4. Registration Statement (Form S-8 No. 333-257030) pertaining to the Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan Amended and Restated as of June 10, 2021,
5. Registration Statement (Form S-8 No. 333-232111) pertaining to the Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan Amended and Restated as of June 13, 2019, and
6. Registration Statement (Form S-8 No. 333-212057) pertaining to the Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan;

of our reports dated February 21, 2024, with respect to the consolidated financial statements of Blackbaud, Inc. and the effectiveness of internal control over financial reporting of Blackbaud, Inc. included in this Annual Report (Form 10-K) of Blackbaud, Inc. for the year ended December 31, 2023.

/S/ Ernst & Young LLP

Raleigh, North Carolina
February 21, 2024

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-262190) and Form S-8 (No. 333-272678, No. 333-212057, No. 333-232111, No. 333-257030 and No. 333-265527) of Blackbaud, Inc. of our report dated March 1, 2022 relating to the financial statements, which appears in this Form 10-K.

/S/ PricewaterhouseCoopers LLP

Atlanta, Georgia
February 21, 2024

EXHIBIT 31.1

Blackbaud, Inc.

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

I, Michael P. Gianoni, certify that:

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

Date: February 21, 2024

By: /s/ Michael P. Gianoni

Michael P. Gianoni

Chief Executive Officer, President and Vice Chairman of the Board

(Principal Executive Officer)

EXHIBIT 31.2

Blackbaud, Inc.

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

I, Anthony W. Boor, certify that:

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

Date: February 21, 2024

By: /s/ Anthony W. Boor

Anthony W. Boor
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

Blackbaud, Inc.

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

In connection with the Annual Report on Form 10-K of Blackbaud, Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael P. Gianoni, Chief Executive Officer, President and Vice Chairman of the Board, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: February 21, 2024

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

EXHIBIT 32.2

Blackbaud, Inc.

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

In connection with the Annual Report on Form 10-K of Blackbaud, Inc. (the “Company”) for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Anthony W. Boor, Executive Vice President and Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: February 21, 2024

By: /s/ Anthony W. Boor
Anthony W. Boor
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

BLACKBAUD, INC.
EXECUTIVE INCENTIVE COMPENSATION
CLAWBACK POLICY

Introduction

Blackbaud is committed to upholding the highest standards of governance, ethics and business integrity, which includes our philosophy of pay-for-performance as it relates to executive compensation. The Blackbaud Board of Directors (the "Board") has, therefore, adopted this policy, which provides for the recoupment of certain incentive-based executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (this "Policy"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and applicable Nasdaq listing standards.

This Policy applies to all of Blackbaud's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act, Rule 10D-1 and applicable Nasdaq listing standards (the "Executive Officers").

This Policy is administered by the Compensation Committee of the Board (the "Committee"), which is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner consistent with the requirements of Section 10D of the Exchange Act and applicable rules or standards adopted by the Securities and Exchange Commission (the "SEC") or Nasdaq. Any determinations made by the Committee shall be final and binding on all affected individuals.

Required Recoupment of Excess Compensation

In the event Blackbaud is required to prepare an accounting restatement to restate its financial statements due material noncompliance with any financial reporting requirement under the federal securities laws (whether or not fault or misconduct is present), each Executive Officer will be required, subject to certain exceptions specified below, to reimburse or forfeit any excess Incentive Compensation (as defined below) received (as described below) by any such Executive Officer during the three completed fiscal years immediately preceding the date on which Blackbaud is required to prepare such accounting restatement.

The date on which Blackbaud is required to prepare an accounting restatement is the earlier of:

- The date the Board concludes, or reasonably should have concluded, that Blackbaud's previously issued financial statements must be restated, or
- The date a court, regulator, or other legally authorized body directs Blackbaud to restate its previously issued financial statements .

For purposes of this Policy, "Incentive Compensation" means any compensation that is granted, earned or vested based wholly or in part on the attainment of a Financial Reporting Measure (as defined below), including but not limited to:

- Non-equity incentive plan awards that are earned solely or in part by satisfying a Financial Reporting Measure performance goal, such as bonuses paid from a bonus pool where the size of the pool is determined solely or in part by satisfying a Financial Reporting Measure performance goal or other annual or special bonuses, short-term or long-term cash incentives or other cash awards earned by satisfying a Financial Reporting Measure performance goal;
- Restricted stock, restricted stock units, stock options, stock appreciation rights, performance shares and performance units that are granted or vest solely or in part on satisfying a Financial Reporting Measure performance goal; and
- Proceeds from the sale of shares acquired through an incentive plan that were granted or vested solely or in part on satisfying a Financial Reporting Measure performance goal.

Incentive Compensation generally does not include salaries that are not based on satisfying a Financial Reporting Measure, bonuses paid solely by satisfying subjective standards unrelated to Financial Reporting Measures, non-equity incentive plan awards earned solely by satisfying strategic or operational measures, wholly time-based equity awards and other compensation that is paid on a discretionary basis and unrelated to a Financial Reporting Measure performance goal.

“Financial Reporting Measure” means (1) stock price, (2) total stockholder return and (3) any measure that is determined and presented in accordance with the accounting principles used in preparing Blackbaud’s financial statements, and any measure derived wholly or in part from such measures, including without limitation:

- Revenues
- Operating income
- Net income
- EBITDA
- Working capital, cash flow funds from operations or other liquidity measures
- Return on invested capital or return on assets or other return measures
- Earnings per share or other earnings measures

Incentive Compensation will be deemed “received” for purposes of this Policy in the fiscal period during which the applicable Financial Reporting Measure is attained, even if the payment or grant occurs after the end of that period. For example, an award that is granted based on the achievement of a Financial Reporting Measure would be received in the fiscal period that the measure was satisfied. However, if an equity award vests only on the achievement of a Financial Reporting Measure, the equity award would be received in the fiscal period that it vests.

Recoupment is required even if the Incentive Compensation was awarded pursuant to a pre-existing contract or arrangement.

Amount and Method of Recoupment

The amount to be recouped will be the excess of the Incentive Compensation paid to an Executive Officer based on the erroneous data over the Incentive Compensation that would have been paid to the Executive Officer had it been based on the restated results, calculated on a pre-tax basis, as determined by the Committee. For Incentive Compensation based on stock price or total stockholder return, if the Committee cannot determine the amount of excess Incentive Compensation received by the Executive Officer directly from the information in the financial restatement, then it will make its determination based on a reasonable estimate of the effect of the restatement on the stock price or total stockholder return on which the Incentive Compensation was received.

This Policy does not apply to Incentive Compensation received by an individual:

- Before beginning service as an Executive Officer;
- Who did not serve as an Executive Officer at any time during the three-year recovery period; or
- Before the effective date of the applicable Nasdaq listing standard (October 2, 2023).

The Committee will determine, in its sole discretion, the method for recouping Incentive Compensation pursuant to this Policy. This may include, without limitation:

- Executive Officer reimbursement of cash Incentive Compensation previously paid or any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- Offsetting the recouped amount from any compensation otherwise owed by Blackbaud to the Executive Officer;
- Cancelling outstanding vested or unvested equity awards; and/or
- Taking any other remedial and recovery action permitted by law, as determined by the Committee.

Blackbaud will endeavor to recoup excess Incentive Compensation reasonably promptly in compliance with this Policy, Rule 10D-1 and applicable Nasdaq's listing standards, except to the extent the pursuit of such recoupment would be impracticable because:

- The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered, provided however, before such conclusion of impracticability is made, the Committee must first (a) make a reasonable attempt to recoup the excess Incentive Compensation and (b) document this attempt and provide such documentation to Nasdaq;
- The recovery would violate home country law, where that law was adopted prior to November 28, 2022, based on an opinion of home country counsel in compliance with Rule 10D-1 and applicable Nasdaq listing standards; or
- The recovery would cause an otherwise tax-qualified retirement plan, under which the benefits are broadly available to Blackbaud employees, to fail to meet qualification requirements.

In the event that an Executive Officer fails to repay Incentive Compensation when due as required by this Policy, the Executive Officer will be required to reimburse Blackbaud for any and all expenses reasonably incurred (including legal fees) by Blackbaud in recovering such Incentive Compensation.

Other

Blackbaud will not indemnify any Executive Officer against the loss of any incorrectly awarded or received Incentive Compensation, including by paying or reimbursing the Executive Officer for premiums for any insurance policy covering any potential losses.

The Board may amend this Policy from time to time in its discretion as it deems necessary to comply with new or amended rules or standards adopted by the SEC, Nasdaq or otherwise. The Board may terminate this Policy at any time.

The Board may require that any employment agreement, equity award agreement or similar agreement, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy.

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to Blackbaud pursuant to the terms of any employment agreement, equity award agreement or similar agreement and any other legal remedies available to Blackbaud, including but not limited to rights of recoupment provided by Section 304 of the Sarbanes Oxley Act of 2002, as amended.

This Policy is binding on, and enforceable against, all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

A copy of this Policy and any amendments thereto will be posted on Blackbaud's website and filed as an exhibit to Blackbaud's Annual Report on Form 10-K.