

What to Look for in Terms and Conditions of a Nonprofit Database Software License

The terms and conditions of a nonprofit database software license are important legal statements, yet we often skim them and move onto the signature page. They are boring, necessary, tedious, and unavoidable.

Whether you are purchasing new nonprofit database software or reviewing the terms and conditions of an existing software license agreement, here are five things to pay attention to.

1. Length of the term

The length of term of a software license agreement identifies how long the conditions of the agreement are enforced. Keep in mind that some of the conditions of the agreement may last longer than the length of the term.

Identify survivable terms and make sure they are agreeable to your organization.

The lengths of software license terms vary widely. Some terms are month to month, others are one year, and some extend up to three years or even longer. The appropriate length of a license term depends on what is agreeable to your organization.

Determining the appropriate term length for your organization may depend on a number of factors.

- How long you plan to stay with the software.
- If you feel like better software products may be available to you in the near future.
- Your perspective on sunk costs and the cost to switch to different software.
- The strategic planning timelines you use at your organization (e.g. six months, one year, three years, etc.).
- Any discounts offered by the software vendor on the software price for extending the length of the term.

2. Price increases

Software vendors can and often do raise their prices. Therefore, it is important to **know when your software vendor can raise prices and by how much they can raise the price.**

You need to know how much you are expected to pay and when. If the conditions of that expectation change suddenly and drastically without your knowledge, you could be in a difficult position.

The timing of price increases varies from software vendor to software vendor with some allowing for increases at the end of each term and others allowing annual increases regardless of the term.

The amount of increase also varies, but don't be shocked to see potential increases of 15-20% in your nonprofit database software license agreement. Many are much lower, if they even include a provision for price increases (some don't increase pricing and stay with a "grandfathered" pricing approach).

3. Confidentiality, privacy, and data ownership

Confidentiality and privacy of your data are standard with all software vendors, but you should still check the fine print on any clause about data protection and security.

The most important aspect of a software license agreement is data ownership.

- Who owns the data when you put data into the database software?
- If you ever have to leave the software vendor for any reason, are you able to take your data with you?

You should own your data and you should be able to take your data with you if you ever need to leave the software.

4. Warranties and guarantees

You should expect a level of quality with the software.

Here are some levels of quality you should watch out for in a software license agreement.

- Commitments for uptime of the software if it is a hosted platform
- Levels of support and method of support (e.g. chat, phone, email)
- Response times for technical issues or bugs
- Expectations on the quality and rollout of updates, upgrades, or software enhancements

5. Payment terms

Payment terms determine when you must pay and how much you must pay for the software. This condition sets your budget for the software so you can plan for future payments.

Occasionally there will be options. **Ask the software vendor if there are options to pay upfront, monthly, quarterly, or even semi-annually.**

Also ask about options for the method of payment. Most software vendors will require a credit card or ACH transfer for payment so the process is automatic, but the timing of those payments might be flexible. If you need to plan your payments as a part of your annual budget, be sure to ask the vendor about your options.

Protect your organization, review all terms and conditions

A software license agreement for new or existing nonprofit database software is an important legal document. It sets the expectations of the relationship between the nonprofit software vendor and your organization. It also protects your organization and your data if something unexpected were to ever happen.

While you may loathe the time spent reading through a software license agreement, pay attention to certain elements of the contract. Being knowledgeable of what you are signing upfront will keep you from surprises between you and your software vendor down the road.