

# Know the Risks Before You Head to the Cloud: A Primer on Cloud Computing for Nonprofits

By A.J. Zottola

A “cloud” solution provides remote access to computing and software resources. It frequently involves storing data. It facilitates e-mail, peer-to-peer communication, and content sharing. In many respects, the “cloud” has become a synonym for the “Internet” as cloud computing now encompasses nearly all available computing services and resources.

Cloud offerings used by nonprofits tend to come in three flavors. Infrastructure as a Service (IaaS) delivers infrastructure assets, such as additional computing power or storage. Platform as a Service (PaaS) offers a computing platform with capabilities, such as database management, security, and workflow management, to help you develop your own applications. And Software as a Service (SaaS) provides software applications on a remotely accessible basis. SaaS offerings are probably the most commonly understood type of “cloud” solution.

Cloud computing can avoid the need to invest in computer hardware and software resources for on-site computing and storage. It also can minimize the need for on-site technical expertise. It offers software and storage capacity without the need to invest in as much infrastructure, personnel, and software licensing.

These benefits create flexibility and potentially lower costs. It’s therefore not surprising that cloud computing has rapidly become a fixture in many nonprofit organizations.

Despite these potential benefits, cloud computing doesn’t come without danger. Below is a list of risks and issues to consider.

- **Take It or Leave It.** Many cloud solution agreements are non-negotiable or more favorable to the provider than the end user. Before deciding on a cloud provider, you may need to do some research and negotiation to work around inflexible contracts.
- **All Services, All the Time.** All computing and software providers are morphing into service providers. This change may impact the fee structure, term length, and available warranties.

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- **Law Is Behind the Times; Contracts Even More Important.** Existing laws and governance models haven’t kept pace with technological development. This may leave the contract as the only means to resolve disputes.
- **It’s All Online.** Privacy and information security concerns will only increase with cloud usage.
- **Less Control of Subcontractors.** Cloud providers tend to use subcontractors for hosting, storage, and other related services. These subcontractors may not be readily known, liable, or responsible for performance under the agreement.
- **Some Things May Not Be Worth the Risk.** The risks associated with cloud computing may make it inappropriate for mission-critical services.
- **Not Everyone Is on the Same Page.** Different cloud solutions on different hardware may increase the possibility of incompatibility with software or network systems. Compatibility will be dictated by the provider, not by the customer.
- **Know Your SLAs.** Service level agreements (SLAs) vary and may be inadequate and unchangeable.
- **General Outages May Be Likelier.** Shared resources may increase susceptibility to a single point of failure.
- **Only What You Need.** The terms of a license agreement may not fit the service being offered. For example, cloud providers may grant themselves a greater right to use a customer’s data or materials than necessary to provide the cloud solution.
- **Own Your Data.** It will be more imperative than ever to hold on to the ownership and secrecy of data and materials used with the cloud solution in order to retain rights and ensure confidential treatment.
- **Don’t Let a Vendor Have Zero Responsibility.** Be wary of excessive disclaimers and limits. Seek a credit or refund structure to address outages and downtime.



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- **Are You Covered?** Check available insurance policies. Does the cloud provider's policy cover business interruption caused by vendor failure?
- **Know the Exits.** Understand how to terminate your relationship with a cloud provider. Plan for how such termination will unfold to minimize disruption.
- **Where's Your Data?** Be sure you know where a copy of all stored data is physically located.
- **Seek Jurisdictional Clarity.** Data may be located in one place, while services are performed somewhere else. That can create jurisdictional issues.
- **You Need Access to Your Data.** Know how to access, audit, hold, and retrieve all data. Sometimes there will be limits on your access that conflict with e-discovery rules.
- **Don't Forget Compliance with Law.** Laws governing privacy and security may extend to the cloud provider, particularly for health, financial, educational, or children's data.
- **Rules Are Different Overseas.** The United States has more permissive data and database rules than many other countries. In Europe, for instance, greater restrictions exist.
- **Will It Still Be There When Disaster Strikes?** Understand the cloud providers' business continuity and disaster recovery practices.
- **Incorporate Overall Risk Management Strategies.** Cloud computing risks may expand the notion of risk from I.T. management to operational management or regulatory compliance.
- **Everybody Is a Renter.** Limited-term software licenses will become the norm. This means you won't have any ownership rights in the software copy being licensed.

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Courts, governmental authorities, and standard-setting bodies may address some of the foregoing concerns. Until then, look to your written contract as the primary vehicle to protect your rights and ensure performance. Examine that contract closely.

Careful due diligence of cloud providers is key. Check references. Don't make decisions based purely on cost. Consider having multiple providers. Involve your key decision-makers and outside advisors. Before you leap onto that cloud, do a thorough evaluation of the risks. 

*A.J. Zottola (202-344-8546, [ajzottola@venable.com](mailto:ajzottola@venable.com)) is partner in Venable LLP's Technology Transactions & Outsourcing Practice. He works regularly with the firm's nonprofit clients.*

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