

As a result of the Great Recession, the endowments at the top American schools, posting seemingly limitless gains from the 1990s to the mid-2000s, faced significant losses across a variety of investments. This article focuses on the endowment management practices that resulted in this unprecedented growth and loss to endowment value on a national scale. This article examines the history of university endowments in America and the legal requirements of universities and their endowment managers. The article also furnishes data on the effect of the recent economic recession on university endowments, examining returns under a hypothetical alternative investment strategy that would have resulted in greater appreciation in market value and increased market stability between FY2004 and 2014 for half of the universities in the study sample, and also discusses the prevailing, though useless, cause of action by means of which donors may challenge a university's endowment spending, establishing a correlation between economic recessions and challenged gifts to universities in the American courts. Finally, this article provides recommendations for universities and their endowment managers to navigate uncertain waters in the modern context and articulates a sensible, sustainable university endowment management standard.