COMMUNITY FOUNDATIONS OF CANADA | FONDATIONS COMMUNAUTAIRES DU CANADA

COMMUNITY FOUNDATIONS OF CANADA

Written Submission for the Pre-Budget Consultations

In Advance of the 2026 Federal Budget

MAY 2026

Recommendations

Recommendation 1: Establish a $250M CFC Community Partnerships Fund
Within the *Build Communities Strong Fund*, create a national $250M CFC Community Partnerships Fund, delivered through CFC's proven intermediary model to mobilize public, philanthropic, and private capital in support of locally driven economic resilience. CFC and its network of 200+ community foundations across the country can invest in and distribute funding through community-driven decision-making processes towards local priorities from essential services to community infrastructure. CFC and its network reach 90% of Canadian communities and steward $8 billion in collective capital and assets.

Recommendation 2: Invest $30M in Free to Play
Invest $30M in the expansion of Free to Play to strengthen child wellbeing, support families, and reinforce community social infrastructure.

Recommendation 3: Conduct a Disbursement Quota Review
Undertake a comprehensive, evidence-based review of the disbursement quota (DQ), in collaboration with the charitable and nonprofit sector, to assess impacts and inform future policy decisions.

Recommendation 4: Establish a Community Resilience Endowment Co-Investment Stream within the *Canada Strong Fund*
Dedicate a portion of the *Canada Strong Fund* for a co-investment endowment stream with community foundations to build permanent local capital and generate sustained returns for community resilience.

Context

Community Foundations of Canada (CFC) is the national leadership organization for over 200 local community foundations. Together with community foundations and a network of partners, CFC helps drive local solutions for national change on the issues that matter most to communities. For over one hundred years, community foundations have been a point of connection; activating local leadership, community knowledge, and financial capacity to strengthen community well-being in rural and urban communities alike, from coast to coast to coast. This dynamic network works directly in communities, as well as nationally to strengthen Canada's social fabric.

Today, Canadian communities are navigating a period of economic and social uncertainty. Global instability, rising costs, labour and housing shortages, and shifting economic conditions are placing increasing pressure on families, local economies, and the organizations that support them. These challenges are being felt most acutely at the community level, where resilience is built—or strained—in real time.

Canada's ability to respond to these challenges and navigate an increasingly uncertain global environment depends on the strength of its local communities. Strong local economies, supported by effective social infrastructure and community institutions, are essential to Canada's long-term resilience, security, and prosperity. As the Prime Minister noted recently, Canada's social policies are essential to national strength.

As public, place-based actors, community foundations are a key part of this social and economic policy infrastructure. Today, the network reaches more than 90 percent of Canadian communities and stewards over $8 billion in collective assets, working with partners across sectors to respond to pressing issues and invest in inclusive economic growth.

Since 2016, CFC has worked in partnership with the Government of Canada to deliver national programs that have invested hundreds of millions of dollars into communities across the country; supporting thousands of organizations in every province and territory. These initiatives (including the Investment Readiness Program, the Fund for Gender Equality, and the Healthy Communities Initiative) have demonstrated that community-driven, intermediary-led approaches can efficiently deliver funding, unlock additional capital, and ensure investments reach communities in ways that are responsive and impactful.

As stewards of community capital, community foundations invest in communities and help shape the economic and social fabric of the country. Investments in affordability, innovation, and infrastructure generate both economic returns and social change. In moments of uncertainty, community foundations are critical actors. Through COVID-19, CFC and its network stepped up to support communities in crisis. Alongside the Government of Canada, CFC was a lead partner in delivering in the Emergency Community Support Fund and the Community Services Recovery Fund—collectively investing $850M.

As a country we again find ourselves in a moment of uncertainty that demands innovative partnerships and solutions. And community foundations stand ready to bring together local expertise, national reach, and mobilize capital and partnerships in communities across the country.

Recommendation 1: Establish a CFC Community Partnerships Fund

CFC encourages the Government of Canada to establish a $250M CFC Community Partnerships Fund within the *Build Communities Strong Fund* to mobilize government and philanthropic capital in support of locally driven economic resilience.

Through the *Build Communities Strong Fund*, the Government of Canada is investing $51 billion in community infrastructure. This is a critical investment. Yet it is missing a key partnership to build strong communities. While the *Build Communities Strong Fund* provides stable, long-term capital for municipal infrastructure, there remains a significant need for flexible, community-driven investment that can mobilize local actors, leverage additional capital, and translate infrastructure investments into sustained economic and social outcomes. It is missing necessary investments in the institutions that make communities thrive: community food hubs, workforce development programs, transitional housing, local innovation spaces, community journalism, and so much more.

Building on the Government of Canada's proven use of national intermediaries, the CFC Community Partnerships Fund would leverage the CFC network to efficiently and quickly deliver funding and investments while maximizing impact; the reach and speed of delivery is significant.

Through CFC's intermediary model, the CFC Community Partnerships Fund would complement and operate alongside existing federal investments by supporting integrated, place-based solutions that strengthen local economies, build community capacity, and leverage the impact of existing federal investments.

Community foundations draw on deep local knowledge, data, relationships, and trust to guide their decisions. As place-based institutions, they are uniquely positioned to understand emerging needs, identify gaps, and invest in solutions that reflect the lived realities of their communities. Over recent years, in addition to place-based foundations, the network has expanded to include a variety of identity-and-place-based foundations. Philanthropy exists to support and serve communities—communities that are defined by geography, language, race, culture, and more. Community foundations work across all of these intersections, and locally driven decision-making is at the core of their activities and investments. By grounding decisions in the knowledge, expertise, and lived experience of community members, community foundations engage citizens, strengthen local autonomy, and deliver results more quickly and effectively than top-down, centralized approaches.

This approach offers efficient delivery; a national intermediary reduces administrative burden and accelerates deployment. It offers pan-Canadian reach; investments can flow rapidly to communities across the country, including rural and underserved regions. It offers equitable access; funding can reach communities often missed by large-scale programs. And it offers long-term impact; investments support structural economic resilience, not just short-term relief.

The CFC Community Partnerships Fund is envisioned not as a one-time initiative, but as a scalable, multi-round platform that activates community foundation expertise in service of local economies and communities—and Canada.

Following an initial round, additional streams could be launched and focused on the intersection of community economic resilience and specific areas such as: Artificial Intelligence, Youth,

Climate, and others. The recommendation below highlights one such youth based application—Free to Play— that CFC is already piloting. Additional rounds would demonstrate that the CFC Community Partnerships Fund is an ongoing platform—one capable of evolving in response to emerging issues while maintaining a consistent community-based architecture and decision framework.

Recommendation 2: Invest in Free to Play

CFC encourages the Government of Canada to invest $30M in the CFC Free to Play initiative. Free to Play is a live demonstration of the innovative, community-driven programming delivered by CFC and its network. Families are facing rising costs and increasing pressure on time and resources, limiting access to community supports and opportunities for children. At the same time, children's screen time has risen to nearly eight hours per day, while fewer than 40% meet recommended physical activity levels—trends linked to poorer physical health, social development, and emotional wellbeing.

Access to safe, inclusive play spaces remains uneven, particularly in Indigenous, rural, racialized, newcomer, and low-income communities. Free to Play expands access to community-based play environments that support child development, positive mental health, and family wellbeing. These spaces foster independence, cooperation, and connection—key foundations for long-term learning and resilience.

Free to Play is being seeded with $16 million in philanthropic capital from Waltons Trust, with additional contributions of $1M from the Lawson Foundation and Canadian Tire Jumpstart Charities. This investment is already unlocking local financial and in-kind commitments across the country, which will grow into a $32+ million initiative—helping spark a broader culture shift toward getting kids off screens and back outside. It is currently active across 22 communities, and the model is designed for national expansion, which can be achieved through investment from the federal government to scale it across more communities in Canada.

Free to Play supports cross-government objectives to:
- Relieve affordability pressures by reducing barriers to participation
- Promote inclusion by increasing equitable access for children facing systemic barriers
- Support Indigenous-led implementation and community-determined approaches

- Advance disability inclusion through accessible infrastructure
- Reinforce community resilience and protective factors that support positive mental health

With philanthropic capital committed and communities prepared to act, Free to Play represents an implementation-ready national opportunity.

Recommendation 3: Conduct a Disbursement Quota Review

Through the Spring Economic Update, CFC noted the Government of Canada's intention to undertake an exercise to modernise the framework for the charitable sector. As part of this, CFC recommends that the Government of Canada proceed with its committed five-year review of the disbursement quota in 2027 and undertake this review in collaboration with the charitable and non-profit sector.

There are a variety of valuable perspectives across the sector, and collaboration between the sector and the Government of Canada will enable a comprehensive assessment and the development of a forward-looking approach that supports community outcomes.

A structured review process would:

- Strengthen the evidence base required to assess the impacts of current DQ levels
- Enable informed, data-driven decision-making for future policy adjustments and government policy consistency
- Assess implications across different types and sizes of charities, including community foundations
- Consider variables such as: market conditions, limitations of the current tiered system, provincial trust laws, impact investing and small-foundation sustainability

A coordinated federal review will improve policy coherence and ensure the regulatory framework supports both immediate community needs and long-term sector resilience.
CFC and its network are well positioned to contribute to the review by providing evidence-based, community-level insights on the impacts of the DQ changes.

Recommendation 4: Establish a Community Resilience Endowment Co-Investment Stream within the *Canada Strong Fund*

CFC encourages the Government of Canada to dedicate a portion of the $25 billion *Canada Strong Fund* to establish a Community Resilience Endowment Co-Investment Stream, modelled on the Canada Cultural Investment Fund.

As Canada navigates a period of economic uncertainty and global instability, the Canada Strong Fund represents a generational investment in the country's long-term strength. To maximize its return and durability, a portion of this funding should be structured to build permanent, locally informed capital that can generate ongoing yields for communities over time.

Investments such as the proposed CFC Community Partnerships Fund are designed to deploy capital into immediate and medium-term priorities, and an endowment co-investment stream would serve a complementary investment function: growing enduring capital pools that produce sustained returns in support of community resilience.

Through a federal co-investment mechanism, this stream would catalyze new philanthropic contributions into endowed funds held by community foundations. Community foundations steward more than $8 billion in assets across the country—capital that is actively invested in communities and positioned to be leveraged alongside federal contributions. A co-investment approach would unlock additional private and philanthropic capital, accelerating the growth of these place-based investment pools and amplifying the overall impact of public funds.

These endowed funds would generate predictable, long-term flows of capital to support key drivers of community resilience, including housing, food systems, climate adaptation, social infrastructure, and inclusive local economic development.

The Canada Cultural Investment Fund has demonstrated that strategic federal co-investment can strengthen balance sheets, attract new donors, and build financial resilience across a sector. Embedding a similar model within the Canada Strong Fund and alongside community foundations would extend this proven investment approach to a broader set of community-focused outcomes.

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