KFORCE INC
Form 11-K
June 22, 2018
Table of Contents

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

FORM 11-K

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 0-26058

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
KFORCE GOVERNMENT PRACTICE PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
KFORCE INC.
1001 EAST PALM AVENUE
TAMPA, FL 33605

Table of Contents

KFORCE GOVERNMENT PRACTICE PLAN

TABLE OF CONTENTS

All other schedules required by Section 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 as amended ("ERISA") have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors, Participants, and Plan Administrator
Kforce Government Practice Plan
Tampa, Florida

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Kforce Government Practice Plan (the Plan) as of December 31, 2017 and 2016 and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016 and the changes in net assets available for benefits for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. 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 Plan 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.

Supplemental

The supplemental Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming an opinion on the supplemental information presented, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Warren Averett, LLC

We have served as the Plan’s auditor since 2010.
Tampa, Florida
June 22, 2018

Table of Contents

KFORCE GOVERNMENT PRACTICE PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2017	2016
ASSETS		
Investments:		
At fair value	$22,358,898	$18,771,875
At contract value	3,252,011	3,584,846
Total Investments	25,610,909	22,356,721
Receivables:		
Employer contributions	340,474	311,718
Notes receivable from participants	268,323	203,154
Total Receivables	608,797	514,872
Total assets	$26,219,706	$22,871,593
LIABILITIES		
Administrative expenses payable	$2,677	$1,709
Total liabilities	$2,677	$1,709
Net assets available for benefits	$26,217,029	$22,869,884

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

Table of Contents

KFORCE GOVERNMENT PRACTICE PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31, 2017
Investment income:	
Net appreciation in fair value of investments	$3,194,340
Interest and dividends	398,504
Total Investment income	3,592,844
Interest income on notes receivable from participants	11,239
Contributions:	
Participant	2,880,932
Employer	340,474
Rollovers	373,669
Total Contributions	3,595,075
Benefits paid to participants	(3,786,806)
Administrative expenses	(107,821)
Other income	42,614
Net increase in net assets	3,347,145
Net assets available for benefits:	
Beginning of year	22,869,884
End of year	$26,217,029

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

5

Table of Contents

KFORCE GOVERNMENT PRACTICE PLAN
NOTES TO FINANCIAL STATEMENTS
Note 1 - Description of the Plan
General
The Kforce Government Practice Plan (the “Plan”) is a defined contribution plan sponsored by Kforce Government Solutions, Inc. (“KGS”), a wholly owned subsidiary of Kforce Inc. ("Kforce"). Substantially all employees of KGS are eligible under the Plan, except those that meet certain exceptions. Prudential Bank & Trust, FSB (“Prudential” or the “Trustee”) is the trustee of the Plan and The Prudential Insurance Company of America is the record-keeper. The Plan was established effective October 2, 2006.
The following description of the Plan is provided for general information purposes. Participants should refer to the Plan document for a more complete description of the Plan provisions. If there are any discrepancies between the terms of the Plan and this description, the terms of the Plan shall prevail. The Plan is subject to the provisions of the ERISA.
Eligibility
All employees of KGS are eligible to participate in the Plan with the exception of employees who are:
- Leased employees under Section 414(n) of the Internal Revenue Code (the “Code”),
- Covered by a collective bargaining agreement that does not provide for participation in the Plan,
- Nonresident aliens with no U.S. source earned income,
- Not on the U.S. payroll of KGS.

Additionally, individuals who are independent contractors or consultants, regardless of whether they are subsequently determined to be common law employees, are not eligible to participate.
Contributions
Employee contributions are recorded in the period in which the payroll deductions are withheld from the participant's earnings. Participants may contribute up to 75% of their compensation for each year subject to the limitations provided in the Code, which was $18,000 for those under age 50 and $24,000 for those age 50 and above for 2017. KGS provides a matching contribution at the discretion of the Board of Directors. KGS contributions, if any, are funded annually in cash to the Plan for eligible participants who are employed as of the last day of the Plan year and have completed at least 1,000 hours as of the last day of the Plan year. Employees are also considered eligible participants if their employment was terminated due to death, total disability or after reaching age 55. For the year ended December 31, 2017, KGS made matching contributions equal to 25% of each participant’s eligible contributions up to 6% of compensation for the period to all eligible participants.
Rollovers
All employees who meet the Plan eligibility requirements are eligible to make cash rollover contributions to the Plan from a previous employer’s qualified retirement plan or a conduit IRA.
Participant Accounts
Participants direct the investment of their contributions into various investment options offered by the Plan. Each participant’s account is credited or charged with the participant’s contributions and allocations of KGS’s matching contributions, Plan earnings or losses, transfers into the Plan and rollovers or withdrawals out of the Plan. Effective January 1, 2015, the Plan eliminated the right of participants to make new investments in Kforce Inc. common stock.
Vesting
Participants are fully vested in their contributions plus actual earnings, if any, thereon. Vesting in KGS matching contributions and earnings, if any, is based on years of continuous service. Participants vest at the rate of 20%, 40%, 60% and 100% after two, three, four and five years of service completed, respectively. A participant is 100% vested after five years of credited service or upon death, total disability, normal retirement age or Plan termination.
In-Service Withdrawals
Participants may request the following types of in-service withdrawals from the Plan during any given calendar month:
- Age 59-1/2,
- Financial hardship,

- Withdrawals of rollover contributions,
- Qualified reservist distribution.

6

Table of Contents

Plan Termination

Although it has not expressed any intent to do so, KGS has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts and the trust shall continue until all participants' accounts have been completely distributed to each participant (or their designated beneficiary) in accordance with the Plan.

Notes Receivable from Participants

Participants may borrow from their vested account balance up to the lesser of $50,000, reduced by the participant's highest note receivable balance outstanding in the 12 months (prior to the date of the note receivable), or 50% of the participant's vested account balance. The notes receivable are collateralized by the balance in the participant's account and bear interest at a reasonable fixed rate of interest, as defined by the Plan. Principal and interest are generally paid ratably through payroll deductions, but may also be paid directly to the Trustee. Notes receivable must have a definite repayment period greater than 12 months but not to exceed five years unless the note receivable is for the purchase of a principal residence, in which case the repayment period must not exceed 15 years.

A participant who terminates employment with an outstanding note receivable must pay off the outstanding balance of the note receivable within a reasonable amount of time after termination. If the participant does not repay the entire outstanding loan balance, the remaining outstanding balance of the note receivable is deemed to be a distribution to the participant. Notes receivable from participants, including interest thereon, are taxable to the participant and subject to applicable excise penalties upon default.

Benefit Payments

Upon termination of employment, the participant is entitled to receive the vested portion of his or her account. Effective August 8, 2017, if the vested amount is $5,000 or less, the account is paid to the participant within a reasonable time frame. If the vested amount is more than $5,000, the participant must consent to the distribution. Withdrawals from the Plan are paid in cash or Kforce Inc. common stock to the extent that the vested balance is invested in Kforce Inc. common stock.

At December 31, 2017 and 2016, there were no distribution payments that were processed and approved for payment by the Plan, but not yet paid to participants.

Forfeited Accounts

Non-vested balances resulting from KGS contributions and earnings will be forfeited upon the date the participant incurs five consecutive one-year breaks in service or receives a distribution. A one-year break in service is any year a participant works less than 500 hours. For terminated employees who receive a distribution but who are re-employed during the five consecutive years following termination, the forfeiture amount shall be restored to the participant's account if the participant pays back the full amount of the distribution within five years of the re-employment date. Forfeited non-vested accounts are used first to fund any restorations. Any unallocated forfeitures shall be used to reduce administrative expenses payable by the Plan and/or employer matching contributions, if any, then to reduce employer qualified non-elective contributions, and finally to increase the employer matching contributions. Any remaining forfeitures shall be credited to a suspense account to be used for future restorations. For the year ended December 31, 2017, there was approximately $25,000 in matching contributions made using forfeited funds. The suspense account was maintained in the Guaranteed Income Fund at December 31, 2017 and 2016. Forfeited funds in the suspense account at December 31, 2017 and 2016 were approximately $32,000 and $28,000, respectively.

Note 2 - Summary of Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan Administrator, as defined in the Plan ("Plan Administrator"), to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Table of Contents

Investment Valuation and Income Recognition

The Plan’s investments are stated at fair value, except for the fully benefit-responsive contract which is recorded at contract value. The Plan’s self-directed accounts hold shares of mutual funds and common stock. Shares of common stock and mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The fully benefit-responsive investment contract is valued on contributions, plus earnings and participant transfers into the fund, less participant withdrawals, participant transfers out of the fund and administrative expenses. Refer to Note 4 - "Investment Contract with Insurance Company" for further discussion on the fully benefit-responsive investment contract.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Valuation of Notes Receivable from Participants

Notes receivable from participants are valued at the unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable are recorded as distributions in accordance with the terms of the Plan document.

Benefit Payments

Benefit payments and withdrawals are recorded when paid.

Administrative Expenses

The Plan's administrative expenses are paid by KGS, the Plan and/or unallocated forfeitures.

Certain management fees and operating expenses are charged to the Plan for investments in mutual funds and mutual funds held in the self-directed accounts are deducted from income or loss on a daily basis and are not separately reflected. These investment related expenses are included as a reduction in net appreciation of fair value of investments in the accompanying Statements of Changes in Net Assets Available for Benefits.

Risks and Uncertainties

The Plan utilizes various investment instruments, including common stock, mutual funds and investment contracts. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Subsequent Events — The Plan Administrator has evaluated subsequent events through the date the financial statements were available to be issued and there were no subsequent events requiring adjustments to the financial statements or disclosures.

Note 3 - Investments

During the year ended December 31, 2017, the Plan’s investments, including gains and losses on investments purchased, sold and held during the year, appreciated (depreciated) in value as follows:

	Net Realized and Unrealized Appreciation (Depreciation) In Fair Value of Investments
Mutual funds	$ 3,195,515
Kforce Inc. common stock	(1,175)
Net appreciation in fair value of investments	$ 3,194,340

Note 4 - Investment Contract with Insurance Company

The Plan participates in the Prudential Guaranteed Income Fund ("GIF"), a fully benefit-responsive investment contract with Prudential Retirement Insurance and Annuity Company (“PRIAC”). PRIAC maintains the contributions in its general account, which is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Participants may direct the withdrawal or transfer of all or a portion of their investment at contract value.

Since the GIF is fully benefit-responsive, contract value is the relevant measurement. Contract value represents contributions plus earnings and participant transfers into the fund, less participant withdrawals, participant transfers out of the fund and administrative expenses.

Table of Contents

The contract has certain restrictions that impact the ability to collect the full contract value, for example, the Plan may not withdraw more than 10% of the value of the general account without incurring a penalty. The Plan Administrator believes that the possibility of the occurrence of events that would cause the Plan to transact at less than contract value is remote. In the case of termination of the investment contract, the contract value would be paid no later than 90 days from the date the Plan sponsor provides notice to discontinue. PRIAC may not terminate the contract at any amount less than contract value.

Note 5 - Fair Value Measurements

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 the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy uses a framework which requires categorizing assets and liabilities into one of three levels based on the inputs used in valuing the asset or liability.

- Level 1 inputs are unadjusted, quoted market prices in active markets for identical assets or liabilities.
- Level 2 inputs are observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 inputs include unobservable inputs that are supported by little, infrequent, or no market activity and reflect management's own assumptions about inputs used in pricing the asset or liability.

Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis at December 31, 2017 and 2016:

	Fair Value Measurements at December 31, 2017			
Description of Investment	Total	Level 1	Level 2	Level 3
Mutual funds	$22,025,500	$22,025,500	$ —	$ —
Kforce Inc. common stock	333,398	333,398	—	—
Total	$22,358,898	$22,358,898	$ —	$ —

	Fair Value Measurements at December 31, 2016			
Description of Investment	Total	Level 1	Level 2	Level 3
Mutual funds	$18,265,717	$18,265,717	$ —	$ —
Kforce Inc. common stock	506,158	506,158	—	—
Total	$18,771,875	$18,771,875	$ —	$ —

Note 6 - Federal Income Tax Status

The Internal Revenue Service issued a favorable determination letter dated March 16, 2015 for all amendments with an effective date as of or prior to January 1, 2013, determining that the Plan and related trust were designed in accordance with the applicable requirements of the Code and underlying regulations. The Plan has been amended since the effective date of the favorable determination letter. KGS and the Plan Administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Code and underlying regulations and that the Plan and related trust continue to be tax-exempt. As such, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Plan Administrator to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017 and 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Table of Contents

Note 7 - Exempt Party-In-Interest Transactions

Certain Plan investments include an unallocated insurance contract managed by the Trustee and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan participants for the investment management services were included as a reduction of the return earned on each investment.

At December 31, 2017 and 2016, the Plan held 13,204 and 21,912 shares, respectively, of common stock of Kforce Inc., a party-in-interest as the parent company of the sponsoring employer. Additionally, the notes receivable from participant employees of the Company are considered party-in-interest transactions.

Table of Contents

KFORCE GOVERNMENT PRACTICE PLAN
FORM 5500, SCHEDULE H, PART IV, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2017

Identity of Party Involved	Description of Investment	Current Value**
Kforce Inc.*	Common Stock	$ 333,398
Vanguard Growth Index Admiral	Mutual Fund	3,869,708
Artisan International Fund	Mutual Fund	3,485,692
Prudential Total Return Bond Q	Mutual Fund	2,554,375
Vanguard US Value Inv Fund	Mutual Fund	2,330,755
Vanguard 500 Index Admiral	Mutual Fund	2,032,483
Vanguard Small Cap Value Index Admiral	Mutual Fund	1,704,241
MassMutual Select Mid Cap Growth I	Mutual Fund	1,660,188
American Funds American Balanced R6	Mutual Fund	879,942
Vanguard Mid-Cap Value Index Admiral	Mutual Fund	860,726
Vanguard Small Cap Growth Index Fund	Mutual Fund	627,710
DFA Global Equity I	Mutual Fund	487,721
Vanguard Mid Cap Index Admiral	Mutual Fund	399,172
DFA Intermediate Government Fixed Income I	Mutual Fund	319,157
Federated High Yield Institutional	Mutual Fund	285,821
Templeton Global Bond Adv	Mutual Fund	226,194
Vanguard Small Cap Index Admiral	Mutual Fund	174,950
PIMCO Real Return Instl	Mutual Fund	126,665
Guaranteed Income Fund*	Unallocated Insurance Contract	3,252,011
Notes receivable from participants*	Interest rates ranging from 4.25% to 5.25%, maturing through 2032	268,323
		$ 25,879,232

* Indicates a party-in-interest to the Plan.
** Cost information not required for participant directed investments.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

	Kforce Government Practice Plan
June 22, 2018	/s/ JEFFREY B. HACKMAN Jeffrey B. Hackman Senior Vice President, Finance and Accounting of the Plan Administrator, Kforce Inc.

Table of Contents

EXHIBIT

Exhibit No.	Description
23.1	Consent of Warren Averett, LLC, Independent Registered Public Accounting Firm

13