

KFORCE INC  
Form 11-K  
July 13, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 11-K**

---

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended DECEMBER 31, 2006

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**

1001 EAST PALM AVENUE

TAMPA, FL 33605

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



**Table of Contents**

***Kforce Government Practice Plan***

*Financial Statements as of December 31, 2006 and for the period October 2, 2006 (date of inception) through December 31, 2006,  
Supplemental Schedule as of December 31, 2006, and Report of Independent Registered Public Accounting Firm*

**Table of Contents**

**KFORCE GOVERNMENT PRACTICE PLAN**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<b>1</b>
FINANCIAL STATEMENTS:	
<u>Statement of Net Assets Available for Benefits as of December 31, 2006</u>	<b>2</b>
<u>Statement of Changes in Net Assets Available for Benefits for the period October 2, 2006 (date of inception) through December 31, 2006</u>	<b>3</b>
<u>Notes to Financial Statements</u>	<b>4-7</b>
SUPPLEMENTAL SCHEDULE:	
<u>Form 5500, Schedule H, Part IV, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2006</u>	<b>8</b>

NOTE: 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 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 Administrator of

Kforce Government Practice Plan

Tampa, Florida

We have audited the accompanying statement of net assets available for benefits of the Kforce Government Practice Plan (the "Plan") as of December 31, 2006 and the related statement of changes in net assets available for benefits for the period October 2, 2006 (date of inception) through December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and the changes in net assets available for benefits for the period October 2, 2006 (date of inception) through December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Certified Public Accountants

Tampa, Florida

July 11, 2007

---

**Table of Contents**

**KFORCE GOVERNMENT PRACTICE PLAN**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

**December 31, 2006**

---

<b>PARTICIPANT-DIRECTED INVESTMENTS</b> at fair value (including \$1,200 of participant loans at December 31, 2006)	\$ 234,386
<b>RECEIVABLES:</b>	
Employer contribution	82,322
Participant contributions	131,127
<b>Total receivables</b>	<b>213,449</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE</b>	<b>\$ 447,835</b>
<b>Adjustment from fair value to contract value for fully benefit-responsive investment contracts</b>	
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 447,835</b>

See notes to financial statements.

**Table of Contents**

**KFORCE GOVERNMENT PRACTICE PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

**PERIOD OCTOBER 2, 2006 (DATE OF INCEPTION) THROUGH DECEMBER 31, 2006**

<b>ADDITIONS:</b>	
Investment income:	
Net depreciation in fair value of investments	\$ (945)
Interest and dividends	1,850
Net investment income	905
Contributions:	
Participant	364,648
Employer	82,322
Total contributions	446,970
Total additions	447,875
<b>DEDUCTIONS:</b>	
Loan Fees	40
Total deductions	40
NET INCREASE IN NET ASSETS	447,835
<b>NET ASSETS AVAILABLE FOR BENEFITS:</b>	
Beginning of period	
End of period	\$ 447,835

See notes to financial statements.

---

**Table of Contents**

**KFORCE GOVERNMENT PRACTICE PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE PLAN**

**General** The Kforce Government Practice Plan (the Plan) is sponsored by Kforce Government Holdings Inc. (Kforce). The Plan is a defined contribution plan covering substantially all employees, except those that meet certain exceptions. The Plan's trustee and record keeper is Prudential Bank & Trust FSB (the Trustee). The Plan was initiated on October 2, 2006.

The following description of the Plan is provided for general information purposes. Participants should refer to the Plan agreement for a more complete description of the Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Eligibility** All employees are eligible to participate in the Plan with the exception of the following:

Employees who are leased employees under Internal Revenue Code (the IRC) Section 414(n)

Employees who are covered by a collective bargaining agreement that does not provide for participation in the Plan

Employees who are nonresident aliens with no U.S. source earned income

Individuals who are performing service as independent contractors or consultants regardless of whether they are subsequently determined to be common law employees

Employees who are not on the U.S. payroll of Kforce.

**Contributions** Participants may contribute up to 75% of their compensation for each year subject to the limitations provided in the Code, which was \$15,000 for those under age 50 and \$20,000 for those over age 50 for 2006. Kforce matching and other contributions are made at the discretion of the Board of Directors in amounts not to exceed the maximum permitted as a deductible expense by the Code. Kforce contributions, if any, are funded annually to eligible participants remaining in the Plan at each year-end. Eligible participants are employees who have completed at least 1,000 hours as of the last day of the Plan year, or who have terminated employment because of death, or total disability or after reaching age 55. For the period October 2, 2006 (date of inception) through December 31, 2006, Kforce made matching contributions equal to 50% of each participant's deferral up to 10% of eligible compensation for all participants still employed at December 31, 2006.

All contributions to the Plan are deposited with the Trustee. Contributions are then directed at the employee's discretion into various investment options. Investment elections may be changed by the employee at any time.

**Participant Accounts** Each participant's account is self-directed and is credited with the participant's contributions, Kforce's matching and other contributions, and Plan earnings and charged with withdrawals and an allocation of Plan losses. Allocations are based on participant earnings or account balances as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Rollovers** All employees are eligible to make cash rollover contributions to the Plan from a previous employer's qualified retirement plan or a conduit IRA.

**Vesting** Participants are immediately vested in their contributions plus actual earnings thereon. Kforce contributions and earnings vest at 20%, 40%, 60%, and 80% after one, two, three, and four years of vesting service, respectively. Kforce contributions become 100% vested upon:

Normal retirement

Total disability

Death

4

**Table of Contents**

Completion of five years of vesting service

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

***Plan Termination*** Although it has not expressed any intent to do so, Kforce 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.

***Investments*** Participants direct the investment of their contributions into various investment options offered by the Plan. Kforce contributions are automatically invested in the investment options selected by each participant.

***Loans*** Participants may borrow money from their vested account balance for any reason. The maximum amount available for loans is the lesser of \$50,000 reduced by the participant's highest loan balance outstanding in the 12 months prior to the date of the loan or 50% of the participant's vested account balance. The minimum amount for a loan is \$500. A loan application fee of \$40 is charged to each participant for each loan.

Loan repayments must have a definite repayment period not to exceed five years unless the loan is for the purchase of a principal residence, in which case the repayment period must not exceed 10 years. Participant loans, including interest thereon, are taxable to the participant upon default, as well as subject to applicable excise penalties.

The loans are collateralized by the balance in the participant's account and bear interest at a reasonable rate. Principal and interest is paid ratably through payroll deductions.

***Payment of Benefits*** Upon termination of service, a participant may elect an immediate single-sum payment. Other forms of payments are available as per the terms of the Plan.

At December 31, 2006, there were no distribution payments that were processed and approved for payment by the Plan, but not yet paid to participants.

***Forfeited Accounts*** Forfeited balances will be used to reduce employer matching contributions, if any, then to reduce employer nonelective contributions. For the period October 2, 2006 (date of inception) through December 31, 2006, there were no matching contributions which were made out of forfeited funds. There were no qualified nonelective contributions made out of the forfeitures account during the period October 2, 2006 (date of inception) through December 31, 2006. There were no forfeited funds at December 31, 2006.

**Table of Contents****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 of America.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management 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.

**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.

**Investment Valuation and Income Recognition** The Plan's investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Common stock is valued at quoted market prices. The pooled separate accounts are valued at the net asset value of shares held by the Plan at year end as stated in audited financial statements. The fully benefit-responsive investment contract is stated at fair value and then adjusted to contract value. Fair value of the contract approximates contract value. Loans are carried at cost which approximates market value.

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.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

**Contributions** Employee contributions are recorded when salary or bonus is paid. Kforce contributions are recorded when authorized.

**Payment of Benefits** Benefits are recorded when paid.

**Expenses of Plan** Administrative expenses of the Plan are paid by Kforce.

**3. INVESTMENTS**

The following presents investments, at fair value, that represent 5% or more of the Plan's net assets as of December 31, 2006:

Large Cap Value/LSV Asset Management Fund	\$ 34,869
Thornburg International Value Fund	29,913
Guaranteed Income Fund	28,111
American Funds Growth Fund of America	36,317

During the period October 2, 2006 (date of inception) through December 31, 2006, the Plan's investments, including gains and losses on investments purchased, sold, and held during the period, appreciated/(depreciated) in value as follows:

Thornburg International Value Fund	\$ 771
Pimco Total Return Fund	(151)
Goldman Sachs Mid-Cap Value Fund	(244)
American Funds Growth Fund of America	(1,022)

Edgar Filing: KFORCE INC - Form 11-K

Jennison Small Company Fund	(24)
Van Kampen Equity and Income Fund	(73)
Pooled Separate Accounts	748
KForce Inc Company Stock	(951)
Net depreciation in fair value of investments	\$ (945)

**Table of Contents****4. INVESTMENT CONTRACT WITH INSURANCE COMPANY**

The Plan has a fully benefit-responsive investment contract with Prudential. Prudential maintains the contributions in a general account, which is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at fair value and then adjusted to contract value as reported to the Plan by Prudential. At December 31, 2006 the contract value approximated fair value; therefore no adjustment was recorded. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. 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 beginning of the year balance of the contract without incurring a penalty. Plan management believes that the occurrence of events that would cause the plan to transact at less than contract value is not probable. Prudential may not terminate the contract at any amount less than contract value.

Prudential is contractually obligated to pay the principal and specified interest rate that is guaranteed to the Plan. The crediting interest rate is based on a formula agreed upon with the issuer, but may not be less than 1.50%. Such interest rates are reviewed on a semi-annual basis for resetting. The crediting rate of the contract will track current market yields on a trailing basis.

	<b>Period October 2, 2006 (date of inception) Through December 31, 2006</b>
Average yields:	
Based on annualized earnings (1)	3.45%
Based on interest rate credited to participants (2)	3.45%

- 
- (1) Computed by dividing the annualized one-day actual earnings of the contract on the last day of the plan year by the fair value of the investments on the same date.
  - (2) Computed by dividing the annualized one-day earnings credited to participants on the last day of the plan year by the fair value of the investments on the same date.

**5. FEDERAL INCOME TAX STATUS**

The Plan uses a prototype plan document sponsored by Prudential. Prudential received an opinion letter from the Internal Revenue Service ( IRS ), dated June 3, 2004, which states that the prototype document satisfies the applicable provisions of the IRC. The Plan itself has not received a determination letter from the IRS. However, the Plan s management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan s financial statements.

**6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

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

At December 31, 2006, the Plan held 922 shares of common stock of Kforce Inc. the sponsoring employer.

**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, 2006**

<b>Identity of Party Involved</b>	<b>Description of Investment</b>	<b>Current Value</b>
Kforce Inc. *	Common Stock	\$ 11,217
Jennison Small Company Fund	Mutual Fund	3,221
Pimco Total Return Fund	Mutual Fund	13,606
Dryden Stock Index Fund	Mutual Fund	4,476
Van Kampen Equity and Income Fund	Mutual Fund	4,827
American Funds Growth Fund of America	Mutual Fund	36,317
Goldman Sachs Mid-Cap Value Fund	Mutual Fund	13,426
Thornburgh International Value Fund	Mutual Fund	29,913
Large Cap Value/LSV Asset Management Fund*	Pooled Separate Account	34,869
International Value/LSV Management Fund*	Pooled Separate Account	7,192
Small Cap Value/Munder Capital Fund*	Pooled Separate Account	14,636
Small Cap Growth/Granahan Fund*	Pooled Separate Account	8,624
Mid Cap Growth/TimesSquare Fund*	Pooled Separate Account	22,752
Guaranteed Income Fund*	Unallocated insurance contract	28,111
Participant Loans*		1,200
		\$ 234,386

\* Party-in-interest

**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

(Registrant)

July 13 2007

(Date)

/s/ David M. Kelly  
David M. Kelly  
Secretary of the Plan Administrator,

Kforce Government Holdings, Inc.

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm