

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

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): April 1, 2015

Information Systems Associates, Inc.

(Exact name of registrant as specified in its charter)

Florida

(State of Incorporation)

333-142429

(Commission File
Number)

65-049317

(IRS Employer
Identification No.)

6622 Southpoint Drive S., Suite 310, Jacksonville, Florida 32216
(Address of principal executive offices, including Zip Code)

904 296 2807
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On April 1, 2015, pursuant to the Agreement and Plan of Merger, dated February 6, 2015 (the “Merger Agreement”), by and among Information Systems Associates, Inc. (the “Company”), Duos Technologies, Inc., a Florida corporation (“Duos”), and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of the Company (“Merger Sub”), the Company completed its merger with Duos. Pursuant to the Merger Agreement, Merger Sub merged with and into Duos, with Duos remaining as the surviving corporation and a wholly-owned subsidiary of the Company (the “Merger”).

The Company previously filed a Current Report on Form 8-K with the Securities and Exchange Commission on April 7, 2015 to announce completion of the Merger. The Company indicated in the initial Form 8-K that it would file the financial statements and pro forma financial information required under Item 9.01 no later than 71 calendar days after the date on which the initial report on Form 8-K was required to be filed. This Amendment No. 1 to the Form 8-K is being filed to provide the required financial information.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The following financial statements of Duos are being filed as exhibits to this Amendment No. 1:

Exhibit 99.1 – Duos’ unaudited financial statements, including Duos’ unaudited balance sheet as of March 31, 2015; Duos’ unaudited statements of operations for the three-month periods ended March 31, 2015 and 2014; Duos’ unaudited statement of changes in stockholder equity (deficit) for the three months ended March 31, 2015; and Duos’ unaudited statements of cash flows for the three-month periods ended March 31, 2015 and 2014 and condensed notes to Financial Statements.

Exhibit 99.2 – Duos’ audited financial statements, including Duos’ balance sheets as of December 31, 2014 and 2013 and the related statement of operations, changes in stockholders’ equity (deficit) and cash flows for each of the two years in the period ended December 31, 2014 and notes to Financial Statements.

(b) Pro Forma Financial Information.

The following pro forma financial information is being filed as an exhibit to this Amendment No. 1:

Exhibit 99.3 – Duos’ unaudited pro forma combined balance sheet at March 31, 2015 and the unaudited pro forma combined statements of income for the three months ended March 31, 2015 and the year ended December 31, 2014 and notes related thereto.

(d) Exhibits

<u>Number</u>	<u>Description</u>
99.1	Duos’ unaudited financial statements, including Duos’ unaudited balance sheet as of March 31, 2015; Duos’ unaudited statements of operations for the three-month periods ended March 31, 2015 and 2014; Duos’ unaudited statement of changes in stockholder equity (deficit) for the three months ended March 31, 2015; and Duos’ unaudited statements of cash flows for the three-month periods ended March 31, 2015 and 2014 and condensed notes to Financial Statements.
99.2	Duos’ audited financial statements, including Duos’ balance sheets as of December 31, 2014 and 2013 and the related statement of operations, changes in stockholders’ equity (deficit) and cash flows for each of the two years in the period ended December 31, 2014 and notes to Financial Statements.
99.3	Duos’ unaudited pro forma combined balance sheet at March 31, 2015 and the unaudited pro forma combined statements of income for the three months ended March 31, 2015 and the year ended December 31, 2014 and notes related thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INFORMATION SYSTEMS ASSOCIATES, INC.

Date: June 17, 2015

By: */s/ Gianni Arcaini*

Chief Executive Officer

EXHIBIT 99.1

Duos Technologies, Inc. Condensed Interim Financial Statements March 31, 2015 (Unaudited)

CONTENTS

	Page (s)
Condensed Financial Statements (unaudited)	
Balance Sheets at March 31, 2015 (unaudited) and December 31, 2014	2
Statement of Changes in Stockholders' Equity (Deficit) for the three months ended March 31, 2015 (unaudited)	3
Statement of Changes in Stockholders' Equity (Deficit) for the three months ended March 31, 2015 (unaudited)	4
Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (unaudited)	5
Condensed Notes to the Financial Statements (unaudited)	6

DUOS TECHNOLOGIES, INC.
BALANCE SHEETS

	March 31, 2015	December 31, 2014
	<u>(Unaudited)</u>	<u></u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 250	\$ 85,435
Accounts receivable, net	898,673	317,934
Cost and estimated earnings in excess of billings on uncompleted contracts	292,926	218,309
Prepaid expenses and other current assets	159,875	92,859
	<u>1,351,724</u>	<u>714,536</u>
Total Current Assets	1,351,724	714,536
Property and equipment, net	35,674	44,883
OTHER ASSETS:		
Patents and trademarks, net	52,606	52,496
	<u>52,606</u>	<u>52,496</u>
Total Other Assets	52,606	52,496
TOTAL ASSETS	\$ 1,440,004	\$ 811,915
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Bank overdraft	\$ 13,534	\$ -
Commercial insurance/office equipment financing	104,148	33,055
Notes payable-related party	193,500	75,000
Convertible notes payable, net	—	1,425,106
Accounts payable	870,527	550,455
Accounts payable - related party	43,853	53,122
Payroll taxes payable	565,661	600,181
Accrued expenses	741,644	694,498
Billings in excess of costs and estimated earnings on uncompleted contracts	867,825	153,783
Deferred revenue	608,856	865,394
Contingent lawsuit payable	1,411,650	1,411,650
	<u>5,421,198</u>	<u>5,862,244</u>
Total Current Liabilities	5,421,198	5,862,244
Total Liabilities	5,421,198	5,862,244
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock: \$0.001 par value; 500,000,000 shares authorized 60,000,000 and 57,738,209 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	60,000	57,738
Additional paid-in capital	15,336,456	13,517,159
Accumulated deficit	(19,377,650)	(18,625,226)
	<u>(3,981,194)</u>	<u>(5,050,329)</u>
Total Stockholders' Equity (Deficit)	(3,981,194)	(5,050,329)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 1,440,004	\$ 811,915

See accompanying condensed notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2015	2014
REVENUES:		
Project revenue	\$ 504,969	\$ 480,747
Maintenance and technical support	597,126	579,676
Total Revenues	1,102,095	1,060,423
COST OF REVENUES:		
Project revenue	261,087	312,333
Maintenance and technical support	135,590	132,219
Total Cost of Revenues	396,677	444,552
GROSS PROFIT	705,418	615,871
OPERATING EXPENSES:		
Selling and marketing expenses	59,329	67,549
Salaries, wages and contract labor	675,683	652,014
Research and development	49,836	51,803
Professional fees	90,305	4,225
General and administrative expenses	194,796	194,336
Total Operating Expenses	1,069,949	969,927
LOSS FROM OPERATIONS	(364,531)	(354,056)
OTHER INCOME (EXPENSES):		
Interest expense	(391,094)	(26,162)
Gain on settlement of accounts payable	3,200	—
Other income, net	1	3
Total Other Income (Expense)	(387,893)	(26,159)
Loss before income taxes	(752,424)	(380,215)
Franchise tax	—	—
NET LOSS	(752,424)	(380,215)
Preferred stock dividends	—	(134,094)
Net loss applicable to common stock	\$ (752,424)	\$ (514,309)
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	57,738,209	56,605,329
Diluted	57,738,209	56,605,329

See accompanying condensed notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Three Months Ended March 31, 2015
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance December 31, 2014	57,738,209	\$ 57,738	\$ 13,517,159	\$ (18,625,226)	\$ (5,050,329)
Common stock issued for convertible debt	2,211,791	2,212	1,802,547		\$ 1,804,759
Common stock issued for settlement of accounts payable	50,000	50	16,750		\$ 16,800
Net Loss for the 3 months ended March 31, 2015				\$ (752,424)	(752,424)
Balance March 31, 2015	<u>60,000,000</u>	<u>\$ 60,000</u>	<u>\$ 15,336,456</u>	<u>\$ (19,377,650)</u>	<u>\$ (3,981,194)</u>

See accompanying condensed notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

For the Three Months Ended
March 31,

	2015	2014
Cash from operating activities:		
Net loss	\$ (752,424)	\$ (380,215)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,596	17,387
Gain on settlement of accounts payable	3,200	—
Loss on conversion of notes payable included in interest expense	352,093	—
Changes in assets and liabilities:		
Accounts receivable	(580,739)	295,085
Costs and estimated earnings on projects	(74,617)	(110,719)
Prepaid expenses and other current assets	(67,017)	(66,603)
Accounts payable	333,672	(174,465)
Accounts payable-related party	(9,269)	(14,912)
Interest from premium accretion on convertible notes	10,384	—
Payroll taxes payable	(34,520)	143,866
Accrued expenses	54,322	9,592
Billings in excess of costs and earnings on uncompleted contracts	714,042	34,027
Deferred revenue	(256,538)	37,277
Net cash used in operating activities	(294,815)	(209,680)
Cash flows from investing activities:		
Purchase of patents/trademarks	(1,600)	—
Purchase of fixed assets	(1,897)	—
Net cash used in investing activities	(3,497)	—
Cash flows from financing activities:		
Bank overdraft proceeds	13,534	(97,491)
Proceeds from related party notes	118,500	—
Proceeds from convertible notes/debt	10,000	323,370
Proceeds of insurance and equipment financing	71,093	77,811
Net cash provided by financing activities	213,127	303,690
Net increase (decrease) in cash	(85,185)	94,010
Cash, beginning of period	85,435	250
Cash, end of period	\$ 250	\$ 94,260
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 22,129	\$ 4,790
Taxes paid	\$ 800	\$ —
Supplemental Non-Cash Investing and Financing Activities:		
Stock issued to convert convertible notes and accrued interest	\$ 1,415,546	\$ —
Stock issued to settle accounts payable	\$ 16,800	\$ —
Write-off balance of put premium liability related to convertible notes	\$ 37,120	\$ —

See accompanying condensed notes to financial statements.

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS , BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Duos Technologies, Inc. (the Company, we, our or Duos) is a Florida corporation organized on November 30, 1990 as a subsidiary of its then parent company Enviromental Capital Holdings, Inc. (ECH). In 2002 Duos spun off from ECH and became an independent entity. The Company is headquartered in Jacksonville, Florida.

Duos is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems, with a focus on homeland security applications. Duos converges traditional security measures with information technologies to create “actionable intelligence.” Duos’ IP is built upon two of its core technology platforms (**praesidium**® and **centraco**™), both distributed as licensed software suites, and natively embedded within engineered turnkey systems (see detailed description of the Company’s products at its website www.duostech.com). **praesidium**® is a modular suite of analytics applications which process and simultaneously analyze data streams from a virtually unlimited number of conventional sensors and/or data points. Native algorithms compare analyzed data against user-defined criteria and rules in real time and automatically report any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and subsystems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service (“AMS”). This unique service provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to the front end-user interface, if and when an issue, event or performance anomalies are detected. **centraco**™ is a comprehensive user interface that includes the functionalities of a Physical Security Information Management (PSIM) system as well as those of an Enterprise Information System (EIS) . This multi-layered interface can be securely installed as a stand-alone application suite inside a local area network or pushed outside a wide area network using the same browser-based interface. It leverages industry standards for data security, access, and encryption as appropriate. The platform also operates as a cloud-hosted solution.

The Company’s primary clients are railroad owner/operators, petro-chemical plants, utilities and hospitals that are potentially vulnerable to attack, and in the case of the railroads, illegal ridership and border security issues.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (all of which are of a normal recurring nature) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2015 are not indicative of the results that may be expected for the year ending December 31, 2015 or for any other future period. These unaudited condensed financial statements and the unaudited notes thereto should be read in conjunction with the audited financial statements and notes thereto included in the current report on Form 8-K/A of Information Systems Associates, Inc. filed with the Securities and Exchange Commission (the “SEC”) on June 17, 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The

most significant estimates in the accompanying financial statements include the allowance on accounts receivable, valuation of deferred tax assets, estimates of percentage completion on projects and related revenues, valuation of stock-based compensation and valuation of loss contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Concentrations

Cash Concentrations

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through March 31, 2015. There were no amounts on deposit in excess of federally insured limits at March 31, 2015.

Significant Customers and Concentration of Credit Risk

The Company, by policy, routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and has not experienced significant write-downs in its accounts receivable balances through March 31, 2015. A significant portion of revenues is derived from certain customer relationships. The following is a summary of customers that each represents greater than 10% of total revenues for the three months ended 2015 and 2014, and total accounts receivable at March 31, 2015 and December 31, 2014, respectively.

	March 31, 2015		March 31, 2014		December 31, 2014	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable	Revenue	Accounts Receivable
Customer A	55%	52%	Customer A	52%	Customer A	52%
Customer B	23%	27%	Customer B	19%	Customer B	18%
					Customer C	12%

Fair Value Measurements and Fair Value of Financial Instruments

Fair value is the exchange price that would be received for 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. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity that is significant to the fair value of assets or liabilities.

The estimated fair value of certain financial instruments, including accounts receivable and accounts payable are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The cost basis of notes and convertible debentures approximates fair value due to the market interest rates carried for these instruments.

Earnings per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of

stock options, stock warrants, convertible debt instruments or other common stock equivalents. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive.

Segment Information

The Company operates in one reportable segment.

Recent Issued Accounting Standards

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after March 31, 2015 are not expected to have a significant effect on the Company's financial position or results of operations. In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)", which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the implementation of this standard to have a material effect on its disclosures.

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 2 – GOING CONCERN

As reflected in the accompanying financial statements for the three months ended March 31, 2015 and 2014, the Company had net losses of \$752,424 and \$380,215, respectively, and cash used in operations of \$294,815 and \$209,680, respectively. Additionally, at March 31, 2015, the Company had a working capital deficit of \$4,069,474, stockholders' deficit of \$3,981,194, and accumulated deficit of \$19,377,650. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan and raise capital. The Company needs to raise additional funds and/or generate sufficient revenue to continue to meet its liquidity needs and realize its business plan and maintain operations. Management of the Company is continuing its efforts to secure funds through equity and/or debt instruments for its operations. At the present time, the Company has no financing commitments from any person, and there can be no assurance that additional capital will be available to the Company on commercially acceptable terms or at all. The Company has reduced expenses from existing operations.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – NOTES PAYABLE - RELATED PARTIES

Notes Payable	March 31, 2015		December 31, 2014	
	Principal	Interest	Principal	Interest
Shareholder	\$ 65,000	9%	\$ 65,000	9%
Related party	27,000	8%	10,000	8%
Related party	1,500	9%	—	—
Shareholder	100,000	12%	—	—
Total	\$ 193,500		\$ 75,000	

On May 28, 2008, a shareholder who is indirectly invested in the Company with the CEO through another entity, loaned the Company the sum of \$65,000 at an annual percentage rate of 9%. There was an accrued interest balance of \$38,973 and \$37,531 as of March 31, 2015 and December 31, 2014, respectively. The note was repayable on or before September 15, 2008 although no demand for repayment has been received from the holder. There is no formal written agreement and the terms are documented on a letter from a former CFO of the Company. The terms contain no default clauses and as of the time of this report, no demand for repayment has been made or expected. The Company intends to repay the loan when sufficient working capital permits such action.

On December 12, 2013, the wife of the CEO loaned the Company the sum of \$10,000 at an annual percentage rate of 8%. On January 29, 2015 and March 3, 2015, the wife of the CEO loaned the Company an additional \$12,000 and \$5,000, respectively. There was accrued interest balance of \$1,230 and \$842 as of March 31, 2015 and December 31, 2014, respectively. The note is repayable on demand of the holder in the event of a significant accounts receivable payment to the Company. As of the time of this report, no such demand has been made.

On March 3, 2015, the V.P. of Accounting of the Company loaned the Company the sum of \$1,500 at an annual percentage rate of 8%. There was accrued interest balance of \$9 as of March 31, 2015. The note is repayable on demand of the holder in the event of a significant accounts receivable payment to the Company. As of the time of this report, no such demand has been made.

On March 10, 2015, the Company received a \$100,000 loan from a related party principal shareholder. The note

accrues interest at the rate of 12% per annum and is repayable on or before December 15, 2015. There was accrued interest balance of \$690 as of March 31, 2015.

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 4 - CONVERTIBLE DEBENTURES PAYABLE

Notes Payable	March 31, 2015		December 31, 2014	
	Principal	Interest	Principal	Interest
Convertible Debentures	\$ —	—	\$ 1,398,370	6%
Premium	—	—	26,736	
Debentures Payable, net	<u>\$ —</u>		<u>\$ 1,425,106</u>	

Pursuant to a financing agreement with one investor group (the “holder”), dated September 23, 2013, the Company issued a \$10,000 debenture in 2015 and there were \$1,398,370 of unsecured convertible debentures outstanding at December 31, 2014. The debentures bear interest at 6% annually and each debenture principal is due in three years from the debenture issuance date. The interest is due monthly in arrears. The principal balance at March 30, 2015 and December 31, 2014 was \$1,408,370 and \$1,398,370, respectively. The Company has been making its monthly interest payments and accordingly, accrued interest was \$7,126 and \$7,126 at March 31, 2015 and December 31, 2014. There is no default provision for the non-payment of interest when due. The maturity dates range from October 27, 2016 through November 30, 2017. The financing agreement states that these debentures will take highest priority over all other existing debt of the Company in the case of bankruptcy or other liquidation event. If any debenture is outstanding as of the maturity date then the Company shall pay a 3% premium on the principal in addition to repayment of the principal and any accrued interest. This 3% premium is being accrued as additional interest expense over the debentures terms. If the Company merges with a public entity then the holder has the right to (i) convert the remaining principal of one or more debentures into the combined Company’s stock at a 20% discount to the negotiated value of such stock according to the terms of the merger; or (ii) to call in one or more or even all of the debentures as due and payable within six (6) months of the “call” date with regard to each debenture and such obligation of the Company to pay shall include a 3% premium on the principal balance or (iii) let one or more of the debentures remain in effect according to the original terms, however, if the Company completes a merger with a public entity the Company has the right to payoff the debentures remaining principal balance and with a required 3% premium and any accrued interest. Although these convertible debentures appear to meet the requirements of stock settled debt under ASC 480 due to the variable conversion fixed rate, no premium on the debt or related interest expense has been recorded at the debt issuance dates since the conversion option is contingent on a future event.

On March 31, 2015, there was \$1,415,546 of convertible debt which included \$7,176 accrued interest that was converted into 2,211,791 shares of Common stock as a result of the closing of a reverse merger with Information Systems Associate, Inc. (ISA). The conversion was priced at a 20% discount from the ISA closing price on March 31, 2015 of \$0.80 for a net conversion price of \$0.64 per share in accordance with the original terms of the convertible debentures. As a result of this conversion, \$37,120 of accrued debt premium relating to the 3% provision noted above, which is not required to be paid to debenture holders, was reclassified to additional paid-in capital and a \$352,093 interest expense was recognized and recorded as a debt premium on March 31, 2015 pursuant to the resolution of the contingency under ASC 480 and then reclassified to additional paid-in capital.

NOTE 5 – NOTES PAYABLE – OTHER FINANCING AGREEMENTS

The Company’s notes payable relating to financing agreements classified as current liabilities consist of the following as of March 31, 2015 and December 31, 2014:

Notes Payable	March 31, 2015		December 31, 2014	
	Principal	Interest	Principal	Interest
Third Party - Insurance Note 1	\$ 6,301	9.95%	\$ 8,892	9.95%
Third Party - Insurance Note 2	11,777	9.25%	20,376	9.25%
Third Party - Equipment Financing	947	8.66%	3,787	13.48%
Third Party - Insurance Note 3	<u>85,123</u>		<u>—</u>	

Total	\$ 104,148	\$ 33,055
-------	-----------------------	----------------------

The Company entered into an agreement on February 3, 2015 with its insurance provider by executing a \$111,548 note payable (Insurance Note 3) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 8.66% payable in monthly installments of principal and interest totaling \$9,803 through December 3, 2015.

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Stock Purchase Agreement and Amendment

On September 19, 2014, UDC entered into a definitive material agreement for the Purchase of Uni-Data and Communications, Inc., (UDC) a division of Unity International Group Inc (UIG), based in New York City. The agreement calls for UIG to sell UDC to Duos, as a wholly owned and operating entity. The companies executed a Stock Purchase Agreement (SPA) which called for the sale of 100% of the shares of UDC for the payment of \$10 million.

The agreement is subject to Duos becoming a public entity and raising \$12M in capital to render the purchase price and have sufficient working capital to operate UDC successfully. The final purchase price will be determined after the allowance of certain pre-defined closing adjustments related to the Working Capital of UDC, an estimated balance sheet as of the Closing the and the difference between the Estimated Working Capital and the Target Working Capital Amount and the Debt Amount of UDC The Estimated Schedule of Adjustments and the Estimated Working Capital are to be calculated in accordance with GAAP. Prior to the closing, the UIG would use any cash available to pay the debts of UDC with any remaining cash being disbursed to the UIG. "Working Capital" means (a) the current assets of UDC, minus (b) the sum of (i) all reserves and allowances applicable to such current assets and (ii) the current liabilities of UDC, determined in accordance with GAAP. In determining Working Capital, all Cash and Cash Equivalents held by UDC, Related Party Receivables, the equity of Unity Data & Electrical Services, LLC and all deferred Tax assets of UDC will be excluded.

For accounting purposes, Duos will give UIG a schedule with a computation of the Working Capital as of the end of the day immediately preceding the Closing Date, the Debt Amount and the difference between the Closing Date Working Capital and the Estimated Working Capital, and the difference between the Closing Date Debt Amount and the Estimated Debt Amount. Based on the Closing Date Working Capital and the Closing Date Debt Amount, each as finally determined by UIGs computations, if the Final Working Capital is greater than the Estimated Working Capital, then UIG shall pay to Duos the amount of such excess. If the Final Working Capital is less than the Estimated Working Capital, then, Duos shall promptly pay to UIG the amount of such deficiency. If the Final Debt Amount is less than the Estimated Debt Amount, then UIG shall pay to Duos the amount of such deficiency, or if the Final Debt Amount is greater than the Estimated Debt Amount, then, at UIGs option, Duos shall pay the amount of such excess.

With respect to taxes, UIG and Duos have the option to make an election under Section 338(h)(10), concerning the transactions contemplated by this Agreement. If UIG exercises its option to make an election under Section 338(h)(10) of the IRS Code, UIG agrees to perform an initial valuation of assets of UDC and the Subsidiary and allocation of the Closing Payment for purposes of this election. The valuations and allocations determined pursuant to this agreement will be used for purposes of all relevant Tax Returns, reports and filings. Any Taxes with respect to the income, property or operations of UDC that relate to the overlapping reporting periods shall be apportioned between UIG and Duos as determined from the books and records of UDC during the portion of such period ending on the Closing Date and the portion of such period beginning on the day following the Closing Date, and based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses. Any Taxes with respect to the income, property or operations of UDC that relate to any overlapping periods shall be apportioned between UIG and Duos as determined from the books and records of UDC during the portion of such period ending on the Closing Date and the portion of such period beginning on the day following the Closing Date. These adjustments will be based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses.

The agreement can be terminated based on a number of conditions including Duos inability to raise the required funding and/or become a public entity. In addition, the agreement automatically terminates on January 31, 2015 unless extended by the payment of an extension fee of \$150,000. The payment of the fee, will extend the agreement for a further sixty days with certain credits back to Duos of that fee if closing occurs earlier than the extended deadline. At the end of the reporting period, Duos had not consummated the stock purchase agreement but was in negotiation with UIG for a modification of certain terms of the agreement including the purchase price and closing date.

On February 12, 2015, the Company executed an amendment to the Stock Purchase Agreement with Unity International Group (UIG). The original agreement was due to expire on January 31, 2015 without the payment of a \$150,000 extension fee by Duos to UIG. The amendment calls for certain changes in terms and conditions related to the original stock purchase agreement including an adjustment of the purchase price from \$10M to \$7M of which \$6.75M will be paid in cash and the balance of \$250K paid in ISA stock based on the fact that Duos had successfully agreed to a reverse merger with Information Systems Associates (ISA) although that transaction was not consummated at the time of this amendment. Certain other conditions were also amended including an extension of the closing date, without payment of an extension fee to March 31, 2015 and a further optional extension period to May 31, 2015 with the payment of an extension fee of \$150,000 with certain credits of this fee against the purchase price if the deal was closed by April 30, 2015. On April 1, 2015, Duos closed its reverse merger with ISA as a condition precedent to closing the UDC transaction and on April 5, 2015, remitted \$150,000 in payment of the extension fee to UIG thereby extending the agreement to May 31, 2015. As of this report, the merged entity had not closed the requisite financing envisioned by the original stock purchase agreement and therefore did not consummate the acquisition of UDC. The Company and UIG have had further communication relating to the extension of the closing date but, as of the date of this report, there has been no express consent by UIG to extend the closing date.

Placement Agency Agreement

On February 18, 2015, Duos agreed to engage an exclusive placement agent in connection with the possible private placement of equity, equity-linked or debt securities (the "Agreement"). The Agreement is for an initial term of 180 days and calls for a transaction fee equal to 9% of amounts raised in the offering by the agent from qualified investors, payable in cash upon closing, and warrants for 9% of the aggregate amount of all equity and equity-linked securities actually placed in the offering by the agent. Additionally, Duos undertook to pay costs and expenses of the placement agent associated with the offering, which were not to exceed \$40,000. As of the date of this report, the Company and agent are in the process of terminating the placement agency agreement; no success fee amounts are due under this agreement. Previously, on October 30, 2014, such entity was engaged as an exclusive financial advisor and pursuant to such agreement was paid a total of \$15,000 in respect of the merger with ISA.

Litigation

On or about December 22, 2014, Corky Wells Electric ("CW Electric") filed suit in the Circuit Court of Boyd County, Kentucky, demanding relief related to a promissory note issued by Duos to CW Electric on December 10, 2008 in the amount of \$741,329. Duos further entered into a "Stipulation for Settlement" on September 30, 2009 wherein CW Electric agreed to dismiss its lawsuit and Duos agreed to resume payments. CW Electric is claiming that Duos breached the terms of that Stipulation for Settlement by not making the required number of payments. The plaintiff contends that due to the breach of payment terms, under the terms of the Promissory Note, the outstanding amount continues to accrue interest at the rate of 18% per annum, compounded monthly for a total of \$1,411,650 due through the future final payment date. Amounts of \$1,411,650 and \$1,411,650 have been accrued as a contingent lawsuit payable at March 31, 2015 and December 31, 2014, respectively.

The Company disputes plaintiff's computation and has retained counsel who has initially filed a motion to move the lawsuit into Federal court, which was successful and obtained an extension of time to respond to C.W. Electric's Complaint. The Company believes that it has meritorious defenses to Plaintiff's allegations.

Delinquent Payroll Taxes Payable

The Company has a delinquent payroll tax payable at March 31, 2015 and December 31, 2014 in the amount of \$565,661 and \$600,181, respectively. Currently, the Company has satisfied the total amount of the Trust Fund Taxes of \$353,859 and will continue to make monthly payments to the IRS in the amount of \$25,000 for the remaining balance. The Company has requested an installment plan.

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 7 - STOCKHOLDERS' EQUITY

Common Stock Exchange

Effective April 1, 2015, all outstanding common shares of the Company were exchanged for a total 60,000,000 common shares of Information Systems Associates, Inc. as a result of the merger described in the subsequent events footnote 9. All share and per share data in the accompanying financial statements and footnotes have been retroactively reflected for the exchange.

Conversion of Debt

On March 31, 2015, Duos Ventures LLC converted \$1,415,546 of convertible debentures which included \$7,176 accrued interest into 2,211,791 shares of Common stock as a result of the closing of a reverse merger with Information Systems Associate, Inc. (ISA). The conversion was priced at a 20% discount from the ISA closing price on March 31, 2015 of \$0.80 for a net conversion price of \$0.64 per share in accordance with the original terms of the convertible debentures. As a result of this conversion, \$37,120 of accrued debt premium relating to the 3% provision (see Note 4), which is not required to be paid to debenture holders, was reclassified to additional paid-in capital and a \$352,093 interest expense was recognized and recorded as a debt premium on March 31, 2015 pursuant to the resolution of the contingency under ASC 480 and then reclassified to additional paid-in capital.

Stock Issued for Partial Settlement of Accounts Payable

On March 31, 2015, the Company issued 50,000 of common stock to a software engineering vendor for a \$20,000 partial settlement of an outstanding payable. The shares were valued at \$0.336 per share, or \$16,800, based on contemporaneous conversions of the Company's Preferred Stock Series A & B to Common Stock. The Company recorded a \$3,200 gain on the settlement of this payable which is included in Other Income in the statement of operations.

NOTE 8 - RELATED PARTY TRANSACTIONS

Administrative Services Agreement

On December 1, 2002, the Company and the former parent, entered into an Administrative Services Agreement whereby the former parent agreed to provide administrative and support services including but not limited to, (a) rent and general infrastructure, (b) human resource management services, and (c) accounting and financial services and other miscellaneous services. The monthly fee is subject to adjustments in accordance with the actual services rendered. The Company paid the former parent fees of \$0 for the 3 months ended March 15 2015 and \$0 for year ended December 31, 2014. At March 31, 2015 and December 31, 2014, \$19,897 and \$19,897 respectively, was due to the former parent under this agreement and is included in Accounts payable - related parties.

Due to Related Parties

The due to related parties consists of two loans payable to shareholders for \$65,000 and \$100,000 and two loans payable to related parties for \$27,000 and \$1,500. The shareholder interest rates are 9% and 12% with one note payable on demand and the second loan payable on or before December 15, 2015. The two related party interest rates are 8% and payable on demand. The accrued interest payable on these loans as of March 31, 2015 and December 31, 2014 was \$40,903 and \$38,373, respectively. (see Note 3)

Duos Technologies, Inc.
Condensed Notes to Financial Statements
March 31, 2015
(Unaudited)

NOTE 9 - SUBSEQUENT EVENTS

Financings

On April 8, 2015, the Company received a \$310,000 loan from a related party principal shareholder. The note accrues interest at the rate of 6% per annum and is repayable on or before October 31, 2015.

Reverse Merger

On April 1, 2015, the Company completed a reverse triangular merger, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among the Company ("Duos"), Information Systems Associates, Inc. (ISA), a publicly traded company, and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of ISA ("Merger Sub"). Under the terms of the Merger Agreement, Merger Sub merged with and into Duos, with Duos remaining as the surviving corporation and a wholly-owned subsidiary of ISA (the "Merger"). The Merger was effective as of April 1, 2015, upon the filing of a copy of the Merger Agreement and articles of merger with the Secretary of State of the State of Florida (the "Effective Time"). As part of the merger agreement, ISA confirmed to Duos executives that its stockholders would receive 60,000,000 common shares of ISA. The Company intends to carry on Duos' business as a line of business following the Merger. The Company also intends to continue ISA's existing operations through its existing wholly owned subsidiary, TrueVue 360, Inc. Duos made the decision to become a public company to give it broader access to the public financial markets to support its growth goals. The objective was to streamline the merger process by finding a clean, operating entity with no "toxic" debt and that was not and had never been a shell company, which Duos believes it has achieved with the merger with ISA.

The merger is being accounted for as a reverse merger using the acquisition method under ASC 805-40 with ISA deemed to be the acquired company for accounting purposes. This determination is based on Duos shareholders obtaining an approximate 98% voting control as well as management and Board control of the combined entity. Accordingly, the assets and liabilities and historical operations that are reflected in the consolidated financial statements after the merger are those of Duos stated at historical cost and the assets and liabilities of ISA were recorded at their fair values at the merger date. The results of operations of ISA are only consolidated with the results of operations starting on the merger date. An analysis of Duos Technologies established a total enterprise valuation of \$19,350,000 using a relative values approach. At the time of the merger, it was estimated that ISA shareholders would own approximately 2% of the outstanding stock after issuance of 60,000,000 shares to Duos shareholders. This resulted in a purchase price of \$393,929. The difference between the recorded historical value of assets acquired and liabilities assumed totaling \$1,578,816 was allocated \$165,000 for tradename and technology and a further \$250,000 for existing customer relationships both of which will be amortized over 2 years. These trade name and technology amounts are based on the value of a secured loan against the patent and software and the customer relationships is calculated based on the estimated gross margin for the next two years for certain customer relationships. The remaining \$1,163,816 is allocated to Goodwill which is the expected synergies that will benefit the combined entity. Goodwill is not expected to be deductible for income tax purposes.

In connection with the merger, the Company incurred acquisition costs of \$36,718 in 2014 of which \$16,425 is included in professional fees, \$10,000 is included in salaries, wages and contract labor and \$10,293 is included in general and administrative expenses on the December 31, 2014 statements of operations. In addition, the Company incurred \$75,489 in 2015 of which \$31,812 is included in professional fees, \$35,000 is included in salaries, wages and contract labor and \$8,677 is included in general and administrative expenses on the accompanying March 31, 2015 statements of operations.

The fair value of the assets acquired and liabilities assumed in the merger are as follows:

Assets acquired:

Cash	\$	1,347
------	----	-------

Tradename and technology	165,000
Customer relationships	250,000
Goodwill	1,163,816
Total assets	1,580,163
Liabilities assumed:	
Accounts payable	216,461
Loans payable	748,426
Accrued expenses	35,275
Deferred revenue	1,809
Total liabilities	1,186,234
Purchase price	<u><u>\$ 393,929</u></u>

The estimates of fair values and the purchase price allocation is subject to change pending the finalization of the valuation of assets acquired and liabilities assumed.

The following unaudited pro forma consolidated results of operations have been prepared as if the merger occurred on January 1, 2014:

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Net Revenues	<u>\$ 1,107,166</u>	<u>\$ 4,603,768</u>
Net Loss	<u>\$ (1,338,400)</u>	<u>\$ (3,049,740)</u>
Net Loss per share applicable to common stock	<u>\$ (.02)</u>	<u>\$ (.06)</u>

Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented and is not intended to be a projection of future results.

EXHIBIT 99.2

**Duos Technologies, Inc.
Financial Statements
December 31, 2014 and 2013**

CONTENTS

	Page(s)
Report of Independent Registered Public Accounting Firm	2
Balance Sheets at December 31, 2014 and 2013	3
Statements of Operations for the years ended December 31, 2014 and 2013	4
Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2014 and 2013	5
Statements of Cash Flows for the years ended December 31, 2014 and 2013	6
Notes to the Financial Statements	7



SALBERG & COMPANY, P.A.

Certified Public Accountants and Consultants

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of: Duos
Technologies, Inc.

We have audited the accompanying balance sheets of Duos Technologies, Inc. as of December 31, 2014 and 2013 and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duos Technologies, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company reported a net loss and cash used in operations of \$2,107,015 and \$985,650, respectively, for the year ended December 31, 2014 and as of December 31, 2013, has a working capital deficit, stockholders' deficit and accumulated deficit of \$5,147,708, \$5,050,329 and \$18,625,226, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
June 17, 2015

2295 NW Corporate Blvd., Suite 240 • Boca Raton, FL 33431-7328
Phone: (561) 995-8270 • Toll Free: (866) CPA-8500 • Fax: (561) 995-
1920

www.salbergco.com • info@salbergco.com

*Member National Association of Certified Valuation Analysts • Registered with
the PCAOB Member CPAConnect with Affiliated Offices Worldwide • Member
AICPA Center for Audit Quality*

DUOS TECHNOLOGIES, INC.
BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	\$ 85,435	\$ 250
Accounts receivable, net	317,934	655,623
Cost and estimated earnings in excess of billings on uncompleted contracts	218,309	195,098
Prepaid expenses and other current assets	92,859	87,395
Total Current Assets	714,536	938,366
Property and equipment, net	44,883	69,323
OTHER ASSETS:		
Patents and trademarks, net	52,496	52,871
Total Other Assets	52,496	52,871
TOTAL ASSETS	\$ 811,915	\$ 1,060,560
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Bank overdraft	\$ —	\$ 97,491
Commercial insurance/office equipment financing	33,055	32,753
Notes payable-related party	75,000	75,000
Convertible notes payable, net	1,425,106	200,847
Accounts payable	550,455	916,002
Accounts payable - related party	53,122	60,711
Payroll taxes payable	600,181	456,955
Accrued expenses	694,498	731,147
Billings in excess of costs and estimated earnings on uncompleted contracts	153,783	9,517
Deferred revenue	865,394	802,074
Contingent lawsuit payable	1,411,650	1,002,324
Total Current Liabilities	5,862,244	4,384,821
Total Liabilities	5,862,244	4,384,821
Commitments and Contingencies (Note 11)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock: \$0.001 par value; 500,000,000 shares authorized 57,738,209 and 56,605,329 shares issued and outstanding at December 31, 2014 and 2013, respectively	57,738	56,605
Additional paid-in capital	13,517,159	12,600,969
Accumulated deficit	(18,625,226)	(15,981,835)
Total Stockholders' Equity (Deficit)	(5,050,329)	(3,324,261)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 811,915	\$ 1,060,560

See accompanying notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2014	2013
REVENUES:		
Project revenue	\$ 1,802,930	\$ 3,375,323
Maintenance and technical support	2,399,527	2,114,318
Total Revenues	4,202,457	5,489,641
COST OF REVENUES:		
Project revenue	1,034,012	1,871,239
Maintenance and technical support	493,142	519,148
Total Cost of Revenues	1,527,155	2,390,387
GROSS PROFIT	2,675,302	3,099,255
OPERATING EXPENSES:		
Selling and marketing expenses	283,440	314,946
Salaries, wages and contract labor	2,619,673	2,786,257
Research and development	191,662	259,255
Professional fees	83,538	60,499
General and administrative expenses	1,084,683	1,034,629
Total Operating Expenses	4,262,994	4,455,586
LOSS FROM OPERATIONS	(1,587,692)	(1,356,331)
OTHER INCOME (EXPENSES):		
Interest income	45	—
Interest expense	(515,539)	(212,696)
Other income, net	31	111
Total Other Income (Expense)	(515,463)	(212,585)
Loss before income taxes	(2,103,155)	(1,568,916)
Franchise Tax	(3,860)	(4,243)
NET LOSS	(2,107,015)	(1,573,159)
Preferred stock dividends (Note 13)	(536,376)	(536,376)
Net loss applicable to common stock	\$ (2,643,391)	\$ (2,109,535)
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic	\$ (0.05)	\$ (0.04)
Diluted	\$ (0.05)	\$ (0.04)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	56,611,537	56,605,329
Diluted	56,611,537	56,605,329

See accompanying notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
Years Ended December 31, 2014 and 2013

	<u>Common Stock</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total</u>
Balance December 31, 2012	56,605,329	\$ 56,605	\$ 12,064,593	\$ (13,872,300)	\$ (1,751,102)
Cumulative dividends (Note 13)			536,376	(536,376)	—
Net Loss 2013				(1,573,159)	(1,573,159)
Balance December 31, 2013	<u>56,605,329</u>	<u>\$ 56,605</u>	<u>\$ 12,600,969</u>	<u>\$ (15,981,835)</u>	<u>\$ (3,324,261)</u>
Common stock issued for inducement	1,132,880	1,133	379,814		380,947
Cumulative dividends (Note 13)			536,376	(536,376)	—
Net Loss 2014				(2,107,015)	(2,107,015)
Balance December 31, 2014	<u>57,738,209</u>	<u>\$ 57,738</u>	<u>\$ 13,517,159</u>	<u>\$ (18,625,226)</u>	<u>\$ (5,050,329)</u>

See accompanying notes to financial statements.

DUOS TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS

For the Year Ended
December 31,

	<u>2014</u>	<u>2013</u>
Cash from operating activities:		
Net loss	\$ (2,107,015)	\$ (1,573,159)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & amortization	55,162	70,510
Bad debt expense	—	77,510
Common stock issued for inducement	380,947	—
Changes in assets and liabilities:		
Accounts receivable	337,689	1,226
Accounts receivable-related party	—	(11,309)
Costs & estimated earnings in excess of billings on uncompleted contracts	(23,211)	195,520
Prepaid expenses and other current assets	(5,463)	(11,382)
Accounts payable	(365,547)	337,833
Accounts payable-related party	(7,589)	52,161
Interest from premium accretion on convertible notes	25,889	847
Payroll taxes payable	143,226	276,588
Accrued expenses	(36,650)	196,881
Billings in excess of costs & estimated earnings on uncompleted contracts	144,266	(550,683)
Deferred revenue	63,320	223,819
Contingent lawsuit payable	409,326	176,235
Net cash used in operating activities	<u>(985,650)</u>	<u>(537,403)</u>
Cash flows from investing activities:		
Purchase of patents/trademarks	(5,500)	(3,290)
Purchase of fixed assets	(24,846)	(14,343)
Net cash used in investing activities	<u>(30,346)</u>	<u>(17,633)</u>
Cash flows from financing activities:		
Bank overdraft proceeds	(97,491)	97,491
Proceeds from related party notes	—	11,030
Proceeds from convertible notes/debt	1,198,370	200,000
Proceeds (repayment) of insurance and equipment financing	302	(13,769)
Repayment of note related to contingent lawsuit	—	(22,006)
Net cash provided by financing activities	<u>1,101,181</u>	<u>272,746</u>
Net increase (decrease) in cash	<u>85,185</u>	<u>(282,290)</u>
Cash, beginning of year	<u>250</u>	<u>282,540</u>
Cash, end of year	<u>\$ 85,435</u>	<u>\$ 250</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 52,062	\$ 9,702
Taxes paid	\$ 4,243	\$ 1,337
Supplemental Non-Cash Investing and Financing Activities:		
Preferred stock dividends (Note 13)	\$ 536,376	\$ 536,376

See accompanying notes to financial statements.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Duos Technologies, Inc. (the Company, we, our or Duos) is a Florida corporation organized on November 30, 1990 as a subsidiary of its then parent company Enviromental Capital Holdings, Inc. (ECH). In 2002 Duos spun off from ECH and became an independent entity. The Company is headquartered in Jacksonville, Florida.

Duos is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems, with a focus on homeland security applications. Duos converges traditional security measures with information technologies to create “actionable intelligence.” Duos’ IP is built upon two of its core technology platforms (**praesidium**® and **centraco**™), both distributed as licensed software suites, and natively embedded within engineered turnkey systems (see detailed description of the Company’s products at its website www.duostech.com). **praesidium**® is a modular suite of analytics applications which process and simultaneously analyze data streams from a virtually unlimited number of conventional sensors and/or data points. Native algorithms compare analyzed data against user-defined criteria and rules in real time and automatically report any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and subsystems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service (“AMS”). This unique service provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to the front end-user interface, if and when an issue, event or performance anomalies are detected. **centraco**™ is a comprehensive user interface that includes the functionalities of a Physical Security Information Management (PSIM) system as well as those of an Enterprise Information System (EIS) . This multi-layered interface can be securely installed as a stand-alone application suite inside a local area network or pushed outside a wide area network using the same browser-based interface. It leverages industry standards for data security, access, and encryption as appropriate. The platform also operates as a cloud-hosted solution.

The Company’s primary clients are railroad owner/operators, petro-chemical plants, utilities and hospitals that are potentially vulnerable to attack, and in the case of the railroads, illegal ridership and border security issues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The most significant estimates in the accompanying financial statements include the allowance on accounts receivable, valuation of deferred tax assets, estimates of percentage completion on projects and related revenues, valuation of stock-based compensation and valuation of loss contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2014 or December 31, 2013.

Concentrations

Cash Concentrations

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through December 31, 2014. There were no amounts on deposit in excess of federally insured limits at December 31, 2014 and 2013.

Significant Customers and Concentration of Credit Risk

The Company, by policy, routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and has not experienced significant write-downs in its accounts receivable balances through December 31, 2014. A significant portion of revenues is derived from certain customer relationships. The following is a summary of customers that each represents greater than 10% of total revenues in 2014 and 2013, and total accounts receivable at December 31, 2014 and 2013, respectively.

2014				2013			
Revenue		Accounts Receivable		Revenue		Accounts Receivable	
Customer A	48%	Customer A	52%	Customer A	35%	Customer A	34%
Customer B	26%	Customer B	18%	Customer B	33%	Customer B	31%
		Customer C	12%			Customer C	13%

Fair Value Measurements and Fair Value of Financial Instruments

Fair value is the exchange price that would be received for 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. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity that is significant to the fair value of assets or liabilities.

The estimated fair value of certain financial instruments, including accounts receivable and accounts payable are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The cost basis of notes and convertible debentures approximates fair value due to the market interest rates carried for these instruments.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining the collections on the account, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed by the straight-line method over the estimated useful lives of the assets. The depreciable lives average five years for office furniture and three years for office equipment. Maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions are included in current operations.

Software Development Costs

The Company accounts for costs incurred to develop or purchase computer software for internal use in accordance with FASB ASC 350-40 "Internal-Use Software" or ASC 350-50 "Website Costs". Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Costs incurred to maintain existing product offerings are expensed as incurred.

Patents and Trademarks

Patents and trademarks which are stated at amortized cost, relate to the development of intelligent technologies and are being amortized over 17 years.

Long-Lived Assets

The Company evaluates the recoverability of its property, equipment, and other long-lived assets in accordance with FASB ASC 360 "Property, Plant and Equipment", which requires recognition of impairment of long-lived assets in the event the net book value of such assets exceed the estimated future undiscounted cash flows attributable to such assets or the business to which such intangible assets relate. This guidance requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accrual of Legal Costs Associated with Loss Contingencies

The Company expenses, as incurred, legal costs associated with loss contingencies.

Product Warranties

The Company has a 90 day warranty period for materials and labor after final acceptance of all projects. If any parts are defective they are replaced under our vendor warranty which is usually 12-36 months. Final acceptance terms vary by customer. Most customers have a cure period for any material deviation and if the Company fails or is unable to correct any deviations, a full refund of all payments made by the customer will be arranged by the Company. As of December 31, 2014 and 2013 management considers all final acceptance terms have been met; therefore no accrual of warranty reserves has been made.

Sales Returns

Our systems are sold as integrated systems and there are no sales returns allowed.

Revenue Recognition

Multiple Elements

Arrangements with customers may involve multiple elements including project revenue and maintenance services. Maintenance will occur after the systems integration project is completed and may be provided on an extended-term basis or on an as-needed basis. Revenue recognition for multiple element arrangement is as follows:

Each element is accounted for separately when each element has value to the customer on a standalone basis and there is Company specific objective evidence of selling price of each deliverable. For revenue arrangements with multiple deliverables, the Company allocates the total customer arrangement to the separate units of accounting based on their relative selling prices as determined by the price of the items when sold separately. Once the selling price is allocated, the revenue for each element is recognized using the applicable criteria under GAAP as discussed below for elements sold in non-multiple element arrangements. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement are combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue is then determined for those combined deliverables as a single unit of accounting. The Company sells its services based on established rates which it believes is Company specific objective evidence of selling price. The Company only sells maintenance services or spare parts based on its established rates after it has completed a system integration project for a customer. The customer is not required to purchase maintenance services. All elements in multiple element arrangements with Company customers qualify as separate units of account for revenue recognition purposes.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

Project Revenue

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on project revenue are recognized using the “percentage of completion method” of accounting in accordance with ASC 605-35, “Construction-Type and Production-Type Contracts”. Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. Costs include direct material, direct labor, subcontract labor and other allocable indirect costs. All un-allocable indirect costs and corporate general and administrative costs are also charged to the periods as incurred. Any recognized revenues that have not been billed to a customer are recorded as an asset in “costs and estimated earnings in excess of billings on uncompleted contracts”. Any billings of customers in excess of recognized revenues are recorded as a liability in “billings in excess of costs and estimated earnings on uncompleted contracts”. However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined.

A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

The Company has contracts in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Costs estimates are reviewed periodically on a contract-by-contract basis throughout the life of the contract such that adjustments to the profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available.

Maintenance and Technical Support

Maintenance and technical support services are provided on both an as-needed and extended-term basis and may include providing both parts and labor. Maintenance and technical support provided outside of a maintenance contract are on an as-requested basis, and revenue is recognized as the services are provided. Revenue for maintenance and technical support provided on an extended-term basis is recognized ratably over the term of the contract.

Deferred Revenue

Deferred revenues represent billings or cash received in excess of revenue recognizable on service agreements that are not accounted for under the percentage of completion method.

Advertising

The Company expenses the cost of advertising.

Stock-based compensation

Stock-based compensation is accounted for in accordance with the Share-Based Payment Topic of ASC 718 which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the shorter of the period the employee or director is required to perform the services in exchange for the award or the vesting period. The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date”. The expense is recognized over the service period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

Income Taxes

The Company accounts for income taxes in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, Income Taxes, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company evaluates all significant tax positions as required by ASC 740. As of December 31, 2014, the Company does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

Penalties and interest assessed by income taxing authorities are included in operating expenses.

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Earnings per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, stock warrants, convertible debt instruments or other common stock equivalents. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. As of December 31, 2014 and 2013 there was \$1,398,370 and \$200,000 of convertible debt that was convertible into 2,184,953 and 312,500, respectively, shares of common stock that was not included in a computation of diluted earnings per share since the effect was anti-dilutive. Such shares may dilute future earnings per share. (See Subsequent Events Note 15)

Segment Information

The Company operates in one reportable segment.

Recent Issued Accounting Standards

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after December 31, 2014 are not expected to have a significant effect on the Company’s financial position or results of operations. In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements – Going Concern (Topic 205-40)”, which requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the implementation of this standard to have a material effect on its disclosures.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 2 – GOING CONCERN

As reflected in the accompanying financial statements for the years ended December 31, 2014 and 2013, the Company had net losses of \$2,107,015 and \$1,573,159, respectively, and cash used in operations of \$985,650 and \$537,403, respectively. Additionally, at December 31, 2014, the Company had a working capital deficit of \$5,147,708, stockholders' deficit of \$5,050,329, and accumulated deficit of \$18,625,226. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan and raise capital. The Company needs to raise additional funds and/or generate sufficient revenue to continue to meet its liquidity needs and realize its business plan and maintain operations. Management of the Company is continuing its efforts to secure funds through equity and/or debt instruments for its operations. At the present time, the Company has no financing commitments from any person, and there can be no assurance that additional capital will be available to the Company on commercially acceptable terms or at all. The Company has reduced expenses from existing operations.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade Accounts Receivable

Accounts receivable were as follows at December 31, 2014 and 2013:

	2014	2013
Accounts Receivable	\$ 317,934	\$ 655,623
Allowance for doubtful accounts	—	—
	<u>\$ 317,934</u>	<u>\$ 655,623</u>

There was no bad debt expense related to trade accounts receivable in 2014 and 2013.

Receivable due from Affiliate and Related Bad Debt

The Company had a receivable from the former parent, that was primarily comprised of the inter-company balance that existed at the time of the Company's spin-off from the former parent in a year prior to 2013. The receivable was non-interest bearing. The Company had a repayment agreement with the former parent where the receivable was being paid down with royalties due to the former parent from third parties. In May 2014 the Company determined that there would be no more royalties to further pay down the receivable and that the former parent no longer had the ability to pay the receivable. Therefore the Company charged the remaining \$77,510 balance of the receivable to bad debt expense effective December 31, 2013.

NOTE 4 – PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follow at December 31, 2014 and 2013:

	2014	2013
Furniture, fixtures and equipment	\$ 976,598	\$ 951,752
Less: Accumulated depreciation	(931,715)	(882,429)
	<u>\$ 44,883</u>	<u>\$ 69,323</u>

Total depreciation in 2014 and 2013 was \$49,286 and \$64,666, respectively.

NOTE 5 - PATENTS AND TRADEMARKS

	2014	2013
Patents and trademarks	\$ 256,715	\$ 251,215
Less: Accumulated amortization	(204,219)	(198,344)
	<u>\$ 52,496</u>	<u>\$ 52,871</u>

Total amortization of patents in 2014 and 2013 was \$5,876 and \$5,844, respectively.

NOTE 6 – NOTES PAYABLE - RELATED PARTIES

	2014		2013	
	Principal	Interest	Principal	Interest
Notes Payable				
Shareholder	\$ 65,000	9%	\$ 65,000	9%
Related Party	10,000	8%	10,000	8%
Total	<u>\$ 75,000</u>		<u>\$ 75,000</u>	

On May 28, 2008, a shareholder who is indirectly invested in the Company with the CEO through another entity, loaned the Company the sum of \$65,000 at an annual percentage rate of 9%. There was an accrued interest balance of \$37,531 and \$31,681 as of December 31, 2014 and 2013, respectively. The note was repayable on or before September 15, 2008 although no demand for repayment has been received from the holder. There is no formal written agreement and the terms are documented on a letter from a former CFO of the Company. The terms contain no default clauses and as of the time of this report, no demand for repayment has been made or expected. The Company intends to repay the loan when sufficient working capital permits such action.

On December 12, 2013, the wife of the CEO loaned the Company the sum of \$10,000 at an annual percentage rate of 8%. There was accrued interest balance of \$842 and \$42 as of December 31, 2014 and 2013, respectively. The note is repayable on demand of the holder in the event of a significant accounts receivable payment to the Company. As of the time of this report, no such demand has been made.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 7 - CONVERTIBLE DEBENTURES PAYABLE

Notes Payable	2014		2013	
	Principal	Interest	Principal	Interest
Convertible Debentures	\$ 1,398,370	6%	\$ 200,000	6%
Premium	26,736		847	
Debentures Payable, net	<u>\$ 1,425,106</u>		<u>\$ 200,847</u>	

Pursuant to a financing agreement with one investor group (the “holder”), dated September 23, 2013, the Company issued \$1,198,370 and \$200,000 of unsecured convertible debentures in 2014 and 2013, respectively. The debentures bear interest at 6% annually and each debenture principal is due in three years from the debenture issuance date. The interest is due monthly in arrears. The principal balance at December 31, 2014 and 2013 was \$1,398,370 and \$200,000, respectively. The Company has been making its monthly interest payments and accordingly, accrued interest was \$7,126 and \$1,151 at December 31, 2014 and 2013. There is no default provision for the non-payment of interest when due. The maturity dates range from October 27, 2016 through November 30, 2017. The financing agreement states that these debentures will take highest priority over all other existing debt of the Company in the case of bankruptcy or other liquidation event. If any debenture is outstanding as of the maturity date then the Company shall pay a 3% premium on the principal in addition to repayment of the principal and any accrued interest. This 3% premium is being accrued as additional interest expense over the debentures terms. If the Company merges with a public entity then the holder has the right to (i) convert the remaining principal of one or more debentures into the combined Company’s stock at a 20% discount to the negotiated value of such stock according to the terms of the merger; or (ii) to call in one or more or even all of the debentures as due and payable within six (6) months of the “call” date with regard to each debenture and such obligation of the Company to pay shall include a 3% premium on the principal balance or (iii) let one or more of the debentures remain in effect according to the original terms, however, if the Company completes a merger with a public entity the Company has the right to payoff the debentures remaining principal balance and with a required 3% premium and any accrued interest. Although these convertible debentures appear to meet the requirements of stock settled debt under ASC 480 due to the variable conversion fixed rate, no premium on the debt or related interest expense has been recorded since the conversion option is contingent on a future event. (See subsequent events Note 15)

NOTE 8 – NOTES PAYABLE – OTHER FINANCING AGREEMENTS

The Company’s notes payable relating to financing agreements classified as current liabilities consist of the following as of December 31, 2014 and 2013:

Notes Payable	2014		2013	
	Principal	Interest	Principal	Interest
Third Party - Insurance Note 1	\$ 8,892	9.95%	\$ 8,976	9.95%
Third Party - Insurance Note 2	20,376	9.25%	20,144	9.25%
Third Party - Equipment Financing	3,787	13.48%	3,633	13.48%
Total	<u>\$ 33,055</u>		<u>\$ 32,753</u>	

The Company entered into an agreement on December 13, 2014 with its insurance provider by executing a \$10,591 note payable (Insurance Note 1) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.95% payable in monthly installments of principal and interest totaling \$930 through October 13, 2015. The Company also entered into an agreement on September 15, 2014 with its insurance provider by executing a \$28,779 note payable (Insurance Note 2) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.25% payable in monthly installments of principal and interest totaling \$3,001 through July 15, 2015.

The Company entered into an agreement on December 13, 2013 with its insurance provider by executing a \$10,560 note payable (Insurance Note 1) issued to purchase an insurance policy, secured by that policy with an annual interest

rate of 9.95% payable in monthly installments of principal and interest totaling \$939 through October 13, 2014. The Company also entered into an agreement on October 10, 2013 with its insurance provider by executing a \$28,705 note payable (Insurance Note 2) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.25% payable in monthly installments of principal and interest totaling \$2,994 through July 15, 2014.

The Company issued a \$40,729 note payable on August 12, 2011 to a vendor to finance computer equipment, secured by that equipment with an interest rate of 13.48% per annum payable in monthly installments of principal and interest totaling \$1,917 through March 12, 2014. The equipment was accounted for as a capital lease. (see Note 11) In May 2014, the Company executed a buy-out option for \$11,364 to purchase this computer equipment, and agreed to make 12 monthly installments of \$947 through April 1, 2015.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 9 - CONTRACT ACCOUNTING

Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts represents costs and estimated earnings in excess of billings and/or cash received on uncompleted contracts accounted for under the percentage of completion contract method.

At December 31, 2014 and 2013, costs and estimated earnings in excess of billings on uncompleted contracts consisted of the following:

	2014	2013
Costs and estimated earnings recognized	\$ 990,799	\$ 2,242,060
Less: Billings or cash received	(772,490)	(2,046,962)
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 218,309</u>	<u>\$ 195,098</u>

Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts

Billings in excess of costs and estimated earnings on uncompleted contracts represents billings and/or cash received that exceed accumulated revenues recognized on uncompleted contracts accounted for under the percentage of completion contract method.

At December 31, 2014, and 2013, billings in excess of costs and estimated earnings on uncompleted contracts consisted of the following:

	2014	2013
Billings and/or cash receipts on uncompleted contracts	\$ 394,517	\$ 238,960
Less: Costs and estimated earnings recognized	(240,734)	(229,443)
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 153,783</u>	<u>\$ 9,517</u>

NOTE 10 - DEFERRED COMPENSATION

The Company entered into several informal deferred compensation agreements in 2009 with eight employees, primarily officers and top level executives. The deferred compensation agreements include salary and commission deferrals.

The Company accrued 50% of the CEO's salary beginning in 2009 and 25% of other executives, some of which are no longer with the Company. The Company intends to fully repay 100% of the deferred amounts including employees that have subsequently left.

As of December 31, 2014 and 2013, the Company has accrued \$552,582 and \$580,271, respectively, of deferred compensation relating to the individual agreements, which are included in the accompanying balance sheet in accrued expenses. The above referenced deferred compensation agreements are unfunded.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Capital Lease

Equipment leased in August 2011 under a capital lease consists of computer equipment with a combined capitalized cost of \$52,653. Accumulated depreciation was \$52,653 and \$49,108, respectively, relating to the leased equipment as of December 31, 2014 and 2013. Depreciation expense was \$3,545 and \$21,273 in 2014 and 2013, respectively, for the equipment under capital lease. The leased equipment was purchased by the Company in May 2014 under a purchase option at the equipment's fair market value. (see Note 8)

Operating Leases

The Company has several non-cancelable operating leases, primarily for equipment, that expire over the next 3 years. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Rental expense for operating leases during 2014 and 2013 was \$17,838 and \$14,620, respectively.

	Year Ended December 31,	
	2014	2013
Purchase Power	\$ 710	\$ 802
Coffee Perks/A. Antique Coffee Services	325	338
Canon	12,567	11,761
Great American Leasing	—	1,719
NFS Leasing	4,236	—
Total Operating Leases rent expense	<u>\$ 17,838</u>	<u>\$ 14,620</u>

The Company has an operating lease agreement, through a related party, for office space, that expires as of April 2016. Minimum rent payments under this lease is recognized on a straight-line basis over the term of the lease. The current monthly lease payment is \$13,251. Rental expense for the lease during December 31, 2014 and 2013 was \$142,091 and \$142,091, respectively.

The following is a schedule of future minimum lease payments for non-cancelable operating leases are as follows:

	2015	\$ 159,015
	2016	79,508
	Total	<u>\$ 238,523</u>

Stock Purchase Agreement

On September 19, 2014, UDC entered into a definitive material agreement for the Purchase of Uni-Data and Communications, Inc., (UDC) a division of Unity International Group Inc (UIG), based in New York City. The agreement calls for UIG to sell UDC to Duos, as a wholly owned and operating entity. The companies executed a Stock Purchase Agreement (SPA) which called for the sale of 100% of the shares of UDC for the payment of \$10 million.

The agreement is subject to Duos becoming a public entity and raising \$12M in capital to render the purchase price and have sufficient working capital to operate UDC successfully. The final purchase price will be determined after the allowance of certain pre-defined closing adjustments related to the Working Capital of UDC, an estimated balance sheet as of the Closing the and the difference between the Estimated Working Capital and the Target Working Capital Amount and the Debt Amount of UDC The Estimated Schedule of Adjustments and the Estimated Working Capital are

to be calculated in accordance with GAAP. Prior to the closing, the UIG would use any cash available to pay the debts of UDC with any remaining cash being disbursed to the UIG. "Working Capital" means (a) the current assets of UDC, minus (b) the sum of (i) all reserves and allowances applicable to such current assets and (ii) the current liabilities of UDC, determined in accordance with GAAP. In determining Working Capital, all Cash and Cash Equivalents held by UDC, Related Party Receivables, the equity of Unity Data & Electrical Services, LLC and all deferred Tax assets of UDC will be excluded.

For accounting purposes, Duos will give UIG a schedule with a computation of the Working Capital as of the end of the day immediately preceding the Closing Date, the Debt Amount and the difference between the Closing Date Working Capital and the Estimated Working Capital, and the difference between the Closing Date Debt Amount and the Estimated Debt Amount. Based on the Closing Date Working Capital and the Closing Date Debt Amount, each as finally determined by UIG's computations, if the Final Working Capital is greater than the Estimated Working Capital, then UIG shall pay to Duos the amount of such excess. If the Final Working Capital is less than the Estimated Working Capital, then, Duos shall promptly pay to UIG the amount of such deficiency. If the Final Debt Amount is less than the Estimated Debt Amount, then UIG shall pay to Duos the amount of such deficiency, or if the Final Debt Amount is greater than the Estimated Debt Amount, then, at UIG's option, Duos shall pay the amount of such excess.

With respect to taxes, UIG and Duos have the option to make an election under Section 338(h)(10), concerning the transactions contemplated by this Agreement. If UIG exercises its option to make an election under Section 338(h)(10) of the IRS Code, UIG agrees to perform an initial valuation of assets of UDC and the Subsidiary and allocation of the Closing Payment for purposes of this election. The valuations and allocations determined pursuant to this agreement will be used for purposes of all relevant Tax Returns, reports and filings. Any Taxes with respect to the income, property or operations of UDC that relate to the overlapping reporting periods shall be apportioned between UIG and Duos as determined from the books and records of UDC during the portion of such period ending on the Closing Date and the portion of such period beginning on the day following the Closing Date, and based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses. Any Taxes with respect to the income, property or operations of UDC that relate to any overlapping periods shall be apportioned between UIG and Duos as determined from the books and records of UDC during the portion of such period ending on the Closing Date and the portion of such period beginning on the day following the Closing Date. These adjustments will be based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses.

The agreement can be terminated based on a number of conditions including Duos inability to raise the required funding and/or become a public entity. In addition, the agreement automatically terminates on January 31, 2015 unless extended by the payment of an extension fee of \$150,000. The payment of the fee, will extend the agreement for a further sixty days with certain credits back to Duos of that fee if closing occurs earlier than the extended deadline. At the end of the reporting period, Duos had not consummated the stock purchase agreement but was in negotiation with UIG for a modification of certain terms of the agreement including the purchase price and closing date. (See Note 15 for amendment)

Consulting Agreement

On October 30, 2014, Duos Technologies entered into a letter agreement with agreed financial advisor pursuant to which the advisor is to provide corporate finance and strategic advice including broker dealer services as necessary. The advisor was retained to lead the Company's working capital financing efforts (see Note 15) and the due diligence on a reverse merger with a public entity. The letter agreement covers the material aspects of the relationship pending a more formal agreement once a suitable public entity had been identified. The agreement is constructed with the intent for the advisor to be exclusive provider but with provisions for cooperation with other banks either as a "lead" or "co-lead". The Company agreed to pay a non-refundable monthly retainer fee of \$5,000 per month when it is in active pursuit of a pre-defined list of potential merger candidates. In addition to the monthly retainer, 2% of the transaction amount was to be paid to Academy on the closing of the transaction previously identified by Academy and listed as a part of the agreement. At the time of this report, a transaction with Information Systems Associates had been concluded but the advisor was not eligible for a transaction fee since ISA had not been identified as one of the merger candidates by the agreement for which the fee is payable. (See Note 15 for subsequent placement agency agreement).

Litigation

On or about December 22, 2014, Corky Wells Electric ("CW Electric") filed suit in the Circuit Court of Boyd County, Kentucky, demanding relief related to a promissory note issued by Duos to CW Electric on December 10, 2008 in the amount of \$741,329. Duos further entered into a "Stipulation for Settlement" on September 30, 2009 wherein CW Electric agreed to dismiss its lawsuit and Duos agreed to resume payments. CW Electric is claiming that Duos

breached the terms of that Stipulation for Settlement by not making the required number of payments. The plaintiff contends that due to the breach of payment terms, under the terms of the Promissory Note, the outstanding amount continues to accrue interest at the rate of eighteen percent (18%) per annum, compounded monthly for a total of \$1,411,650 due through the future final payment date. Amounts of \$1,411,650 and \$1,002,324 have been accrued as a contingent lawsuit payable at December 31, 2014 and 2013, respectively.

The Company disputes Plaintiff's computation and has retained counsel who has initially filed a motion to move the lawsuit into Federal court, which was successful and obtained an extension of time to respond to C.W. Electric's Complaint. The Company believes that it has meritorious defenses to Plaintiff's allegations.

Delinquent Payroll Taxes Payable

The Company has a delinquent payroll tax payable for the years ended December 31, 2014 and 2013 in the amount of \$600,181 and \$456,955, respectively. Currently, the Company has satisfied the total amount of the Trust Fund Taxes of \$353,859 and will continue to make monthly payments to the IRS in the amount of \$25,000 for the remaining balance. The Company has requested an installment plan.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 12- INCOME TAXES

The Company maintains deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets at December 31, 2014 and 2013 consist of net operating loss carryforwards and differences in the book basis and tax basis of intangible assets.

The blended Federal and State tax rate of 37.6% applies to loss before taxes. The items accounting for the difference between income taxes at the effective statutory rate and the provision for income taxes for the years ended December 31, 2014 and 2013 were as follows:

	Years ended December 31,	
	2014	2013
Income tax benefit at U.S. statutory rate of 34%	\$ (716,385)	\$ (534,874)
State income taxes	(75,853)	(56,634)
Non-deductible expenses	148,876	10,239
Change in valuation allowance	643,362	581,269
Total provision for income tax	\$ —	\$ —

The Company's approximate net deferred tax assets as of December 31, 2014 and 2013 was as follows:

<u>Deferred Tax Assets:</u>	December 31,	December 31,
	2014	2013
Net operating loss carryforward	\$ 4,413,962	\$ 3,737,841
Intangible assets	250,869	283,628
	<u>4,664,831</u>	<u>4,021,469</u>
Valuation allowance	(4,664,831)	(4,021,469)
Net deferred tax assets	\$ —	\$ —

The net operating loss carryforward was approximately \$11,739,000 and \$9,941,000 at December 31, 2014 and 2013, respectively. The Company provided a valuation allowance equal to the deferred income tax assets for the years ended December 31, 2014 and 2013 because it was not known whether future taxable income will be sufficient to utilize the loss carryforward and other deferred tax assets. The increase in the valuation allowance was \$643,362 in 2014.

The potential tax benefit arising from the loss carryforward will expire in years through 2034. Additionally, the future utilization of the net operating loss carryforward to offset future taxable income may be subject to an annual limitation as a result of ownership changes that could occur in the future in accordance with Section 382 of the Internal Revenue Code. If necessary, the deferred tax assets will be reduced by any carryforward that expires prior to utilization as a result of such limitations, with a corresponding reduction of the valuation allowance. The Company believes its tax positions are all highly certain of being upheld upon examination. The Company's 2014, 2013 and 2012 Corporate Income Tax Returns are subject to Internal Revenue Service examination.

The Company does not have any uncertain tax positions or events leading to uncertainty in a tax position.

NOTE 13 - STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock

On December 29, 2014 the Company agreed with the majority of the then Series A redeemable convertible preferred shareholders to exchange all Series A Convertible preferred stock into the Company's common stock at an 8% premium in terms of the quantity of shares to the original conversion rate which original conversion rate was

approximately \$0.54 per share. Accordingly, approximately 13,454,989 common shares were issued which includes the approximately 996,666 additional 8% premium common shares issued as an inducement to convert. The Company valued these additional premium shares based upon a contemporaneous business valuation of the Company resulting in a per share value of approximately \$0.336 per share or an aggregate approximate \$335,143 which was charged to operations. Since the preferred stock had been redeemable at stated value plus undeclared dividends, the Company recognized \$536,376 of dividends in each of 2014 and 2013. Furthermore, since as discussed below under “Common Stock”, the Company has retroactively applied the effects of a subsequent merger, no Series A preferred stock transactions are reflected in the accompanying statement of changes in stockholders’ equity and the dividends are charged to retained earnings with a credit to additional paid-in capital.

Series B Convertible Preferred Stock

On December 29, 2014 the Company agreed with the majority of the then Series B convertible preferred shareholders to exchange all Series B Convertible preferred stock into the Company’s common stock at an 8% premium in terms of the quantity of shares to the original conversion rate which original conversion rate was approximately \$0.66 per share. Accordingly approximately 1,838,885 common shares were issued which includes the approximately 136,214 additional 8% premium common shares issued as an inducement to convert. The Company valued these additional premium shares based upon a contemporaneous business valuation of the Company resulting in a per share value of approximately \$0.336 per share or an aggregate approximate \$45,804 which was charged to operations. Furthermore, since as discussed below under “Common Stock”, the Company has retroactively applied the effects of a subsequent merger, no Series B preferred stock transactions are reflected in the accompanying statement of changes in stockholders’ equity and the dividends are charged to retained earnings with a credit to additional paid-in capital.

Common Stock

Effective April 1, 2015, all outstanding common shares of the Company were exchanged for a total 60,000,000 common shares of Information Systems Associates, Inc. as a result of the merger described in the subsequent events footnote 15. Subsequent to year end the Company issued 2,211,791 common shares related to debenture conversions and 50,000 common shares related to an accounts payable settlement (see Note 15). All share and per share data in the accompanying financial statements and footnotes have been retroactively reflected for the exchange.

Warrants for Common Stock

All warrants granted related to prior capital stock offerings have expired as of December 31, 2013.

Duos Technologies, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 14 - RELATED PARTY TRANSACTIONS

Administrative Services Agreement

On December 1, 2002, the Company and the former parent entered into an Administrative Services Agreement whereby the former parent agreed to provide administrative and support services including but not limited to, (a) rent and general infrastructure, (b) human resource management services, and (c) accounting and financial services and other miscellaneous services. The monthly fee is subject to adjustments in accordance with the actual services rendered. The Company paid the former parent fees of \$0 and \$214,052 for the years ending December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, \$19,897 and \$48,297, respectively, was due to the former parent under this agreement and is included in Accounts payable - related parties.

Due to Related Parties

The due to related parties consists of two loans payable to shareholders for \$65,000 and \$10,000. The interest rates are nine percent (9%) and eight percent (8%) and all notes are payable on demand. The accrued interest payable on these loans as of December 31, 2014 and 2013 was \$38,373 and \$31,723, respectively. (see Note 6)

Write-off of Receivable Due from Affiliate

In 2013 the Company wrote off as bad debt expense a \$77,510 receivable from its former parent. (See note 3)

NOTE 15 - SUBSEQUENT EVENTS

Financings

On February 11, 2015, the Company issued a \$10,000 convertible debenture in exchange for \$10,000 from Duos Ventures LLC, the holder of the existing convertible debentures.

On March 10, 2015, the Company received a \$100,000 loan from related party principal shareholder. The note accrues interest at the rate of 12% per annum and is repayable on or before December 15, 2015.

On April 8, 2015 the Company received a \$310,000 loan from a related party principal shareholder. The note accrues interest at the rate of 6% per annum and is repayable on or before October 31, 2015.

Amendment to Stock Purchase Agreement

On February 12, 2015, the Company executed an amendment to the Stock Purchase Agreement (see Note 11) with Unity International Group (UIG). The original agreement was due to expire on January 31, 2015 without the payment of a \$150,000 extension fee by Duos to UIG. The amendment calls for certain changes in terms and conditions related to the original stock purchase agreement including an adjustment of the purchase price from \$10M to \$7M of which \$6.75M will be paid in cash and the balance of \$250K paid in ISA stock based on the fact that Duos had successfully agreed to a reverse merger with Information Systems Associates (ISA) although that transaction was not consummated at the time of this amendment. Certain other conditions were also amended including an extension of the closing date, without payment of an extension fee to March 31, 2015 and a further optional extension period to May 31, 2015 with the payment of an extension fee of \$150,000 with certain credits of this fee against the purchase price if the deal was closed by April 30, 2015. On April 1, 2015, Duos closed its reverse merger with ISA as a condition precedent to closing the UDC transaction and on April 5, 2015, remitted \$150,000 in payment of the extension fee to UIG thereby extending the agreement to May 31, 2015. As of this report, the merged entity had not closed the requisite financing envisioned by the original stock purchase agreement and therefore did not consummate the acquisition of UDC. The Company and UIG have had further communication relating to the extension of the closing date but, as of the date of this report, there has been no express consent by UIG to extend the closing date.

Placement Agency Agreement

On February 18, 2015, Duos agreed to engage an exclusive placement agent in connection with the possible private placement of equity, equity-linked or debt securities (the "Agreement"). The Agreement is for an initial term of 180 days and calls for a transaction fee equal to 9% of amounts raised in the offering by the agent from qualified investors, payable in cash upon closing, and warrants for 9% of the aggregate amount of all equity and equity-linked securities actually placed in the offering by the agent. Additionally, Duos undertook to pay costs and expenses of the placement agent associated with the offering, which were not to exceed \$40,000. As of the date of this report, the Company and agent are in the process of terminating the placement agency agreement; no success fee amounts are due under this agreement. Previously, on October 30, 2014, such entity was engaged as an exclusive financial advisor and pursuant to such agreement was paid a total of \$15,000 in respect of the merger with ISA.

Conversion of Debt

On March 31, 2015, Duos Ventures LLC converted \$1,415,546 of convertible debentures which included \$7,176 accrued interest into 2,211,791 shares of Common stock as a result of the closing of a reverse merger with Information Systems Associate, Inc. (ISA). The conversion was priced at a 20% discount from the ISA closing price on March 31, 2015 of \$0.80 for a net conversion price of \$0.64 per share in accordance with the original terms of the convertible debentures. As a result of this conversion, \$37,120 of accrued debt premium relating to the 3% provision noted above, which is not required to be paid to debenture holders, was reclassified to additional paid-in capital and a \$352,093 interest expense was recognized and recorded as a debt premium on March 31, 2015 pursuant to the resolution of the contingency under ASC 480 and then reclassified to additional paid-in capital.

Stock Issued for Partial Settlement of Accounts Payable

On March 31, 2015, the Company issued 50,000 of common stock to a software engineering vendor for a \$20,000 partial settlement of an outstanding payable. The shares were valued at \$0.336 per share, or \$16,800, based on contemporaneous conversions of the Company's Preferred Stock Series A & B to Common Stock. The Company recorded a \$3,200 gain on the settlement of this payable which is included in Other Income in the statement of operations.

Reverse Merger

On April 1, 2015, the Company completed a reverse triangular merger, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among the Company ("Duos"), Information Systems Associates, Inc. (ISA), a publicly traded company and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of ISA ("Merger Sub"). Under the terms of the Merger Agreement, Merger Sub merged with and into Duos, with Duos remaining as the surviving corporation and a wholly-owned subsidiary of ISA (the "Merger"). The Merger was effective as of April 1, 2015, upon the filing of a copy of the Merger Agreement and articles of merger with the Secretary of State of the State of Florida (the "Effective Time"). As part of the merger agreement ISA confirmed to Duos executives that its stockholders would receive 60,000,000 common shares of ISA. The Company intends to carry on Duos' business as a line of business following the Merger. The Company also intends to continue ISA's existing operations through its existing wholly owned subsidiary, TrueVue 360, Inc. Duos made the decision to become a public company to give it broader access to the public financial markets to support its growth goals. The objective was to streamline the merger process by finding a clean, operating entity with no "toxic" debt and that was not and had never been a shell company, which Duos believes it has achieved with the merger with ISA.

The merger is being accounted for as a reverse merger using the acquisition method under ASC 805-40 with ISA deemed to be the acquired company for accounting purposes. This determination is based on Duos shareholders obtaining an approximate 98% voting control as well as management and Board control of the combined entity. Accordingly, the assets and liabilities and historical operations that are reflected in the consolidated financial statements after the merger are those of Duos stated at historical cost and the assets and liabilities of ISA were recorded at their fair values at the merger date. The results of operations of ISA are only consolidated with the results of operations starting on the merger date. An analysis of Duos Technologies established a total enterprise valuation of \$19,350,000 using a relative values approach. At the time of the merger, it was estimated that ISA shareholders would own approximately 2% of the outstanding stock after issuance of 60,000,000 shares to Duos shareholders. This resulted in a purchase price of \$393,929. The difference between the recorded historical value of assets acquired and liabilities assumed totaling \$1,578,816 was allocated \$165,000 for tradename and technology and a further \$250,000 for existing customer relationships both of which will be amortized over 2 years. These trade name and technology amounts are based on the value of a secured loan against the patent and software and the customer relationships is calculated based on the estimated gross margin for the next two years for certain customer relationships. The remaining \$1,163,816 is allocated to Goodwill which is the expected synergies that will benefit the combined entity. Goodwill is not expected to be deductible for income tax purposes.

In connection with the merger, the Company incurred acquisition costs of \$36,718 in 2014 of which \$16,425 is included in professional fees, \$10,000 is included in salaries, wages and contract labor and \$10,293 is included in general and administrative expenses on the accompanying statements of operations. In addition the Company incurred \$75,489 in 2015.

The fair value of the assets acquired and liabilities assumed in the merger are as follows:

Assets acquired:

Cash	\$	1,347
Tradenname and technology		165,000
Customer relationships		250,000
Goodwill		1,163,816
Total assets		<u>1,580,163</u>

Liabilities assumed:

Accounts payable		216,461
Loans payable		748,426
Accrued expenses		35,275
Deferred revenue		1,809
Total liabilities		<u>1,186,234</u>
Purchase price	\$	<u>393,929</u>

The estimates of fair values and the purchase price allocation is subject to change pending the finalization of the valuation of assets acquired and liabilities assumed.

The following unaudited pro forma consolidated results of operations have been prepared as if the merger occurred on January 1, 2014:

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Net Revenues	\$ 1,107,166	\$ 4,603,768
Net Loss	\$ (1,338,400)	\$ (3,049,740)
Net Loss per share applicable to common stock	\$ (.02)	\$ (.06)

Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented and is not intended to be a projection of future results.

EXHIBIT 99.3

**INFORMATION SYSTEMS ASSOCIATES, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET**

March 31, 2015

Information Systems Associates, Inc. and Subsidiary	Duos Technologies, Inc.
<u>March 31,</u>	<u>March 31,</u>
<u>2015</u>	<u>2015</u>
<u>(Unaudited)</u>	<u>(Unaudited)</u>

Pro Forma Adjustments	Pro Forma
Dr	Cr.
	Balances
	<u>(Unaudited)</u>

ASSETS

CURRENT ASSETS:

Cash	\$ 1,346	\$ 250	\$ —	\$ —	\$ 1,596
Accounts receivable, net	—	898,673	—	—	898,673
Cost and estimated earnings in excess of billings on uncompleted contracts	—	292,926	—	—	292,926
Prepaid expenses and other current assets	—	159,875	—	—	159,875
Total Current Assets	1,346	1,351,724	—	—	1,353,070
Property and equipment, net	—	35,674	—	—	35,674
Goodwill	—	—	(1) 1,163,816	—	1,163,816
Intangible assets, net	—	52,606	(1) 415,000	—	467,606
Total Assets	\$ 1,346	\$ 1,440,004	\$ 1,578,816	\$ —	\$ 3,020,166

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Bank overdraft	\$ —	\$ 13,534	\$ —	\$ —	13,534
Commercial insurance/office equipment financing	—	104,148	—	—	104,148
Notes payable-related party	310,130	193,500	—	—	503,630
Notes payable-stockholder	50,000	—	—	—	50,000
Notes payable (Convertible OID), net of discounts and premium - related parties	119,108	—	—	—	119,108
Notes payable - (OID) net of discounts, stockholder	157,688	—	—	—	157,688
Notes payable (Third party), net of discounts	71,248	—	—	—	71,248
Line of credit	40,251	—	—	—	40,251
Accounts payable	216,460	870,527	—	—	1,086,987
Accounts payable - related party	—	43,853	—	—	43,853
Accrued payroll	184,263	—	—	—	184,263
Payroll taxes payable	—	565,661	—	—	565,661
Accrued expenses	35,276	741,644	—	—	776,920
Billings in excess of costs and estimated earnings on uncompleted contracts	—	867,825	—	—	867,825
Deferred revenue	1,809	608,856	—	—	610,665
Contingent lawsuit payable	—	1,411,650	—	—	1,411,650
Total Current Liabilities	1,186,233	5,421,198	—	—	6,607,431
Total Liabilities	1,186,233	5,421,198	—	—	6,607,431

STOCKHOLDERS' DEFICIT:

Common stock: \$0.001 par value; 500,000,000 shares authorized 1,246,870 and 60,000,000 shares issued and outstanding at 1,246,870 and 60,000,000 shares issued and outstanding at March 31, 2015 and March 31, 2015, respectively	1,247	60,000	—	—	61,247
Paid-in capital	5,435,475	15,336,456	(2) 6,621,609	(1)1,578,816	15,729,138
Accumulated deficit	(6,621,609)	(19,377,650)	—	(2)6,621,609	(19,377,650)
Total Stockholders' Deficit	(1,184,887)	(3,981,194)	6,621,609	8,200,425	(3,587,265)
Total Liabilities and Stockholders' Deficit	\$ 1,346	\$ 1,440,004	\$ 6,621,609	\$ 8,200,425	\$ 3,020,166

See accompanying notes to unaudited pro forma combined financial statements.

(1)

INFORMATION SYSTEMS ASSOCIATES, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

	Information Systems Associates, Inc. and Subsidiary		Duos Technologies, Inc.		Pro Forma Adjustments		Pro Forma Balances (Unaudited)
	For the Three Months Ended March 31, 2015 (Unaudited)	For the Three Months Ended March 31, 2015 (Unaudited)			Dr	Cr.	
REVENUES	\$ 5,071	\$ 1,102,095			\$ —	\$ —	\$ 1,107,166
COST OF REVENUES	<u>—</u>	<u>396,677</u>			<u>—</u>	<u>—</u>	<u>396,677</u>
GROSS PROFIT	<u>5,071</u>	<u>705,418</u>			<u>—</u>	<u>—</u>	<u>710,489</u>
OPERATING EXPENSES							
Selling and marketing expenses	—	59,329			—	—	59,329
Salaries, wages and contract labor	60,919	675,683					736,602
Research and development	—	49,836					49,836
Professional fees	149,273	90,305					239,578
General and administrative expenses	<u>183,838</u>	<u>194,797</u>	(4)	<u>51,875</u>		<u>—</u>	<u>430,510</u>
Total Operating Expenses	<u>394,030</u>	<u>1,069,950</u>			<u>51,875</u>	<u>—</u>	<u>1,515,855</u>
LOSS FROM OPERATIONS	<u>(388,959)</u>	<u>(364,532)</u>			<u>(51,875)</u>	<u>—</u>	<u>(805,366)</u>
OTHER INCOME (EXPENSE):							
Gain on settlement of accounts payable	—	3,200			—	—	3,200
Interest expense	(145,641)	(391,094)			—	—	(536,735)
Other	<u>500</u>	<u>1</u>			<u>—</u>	<u>—</u>	<u>501</u>
Total Other Income (Expense)	<u>(145,141)</u>	<u>(387,893)</u>			<u>—</u>	<u>—</u>	<u>(533,034)</u>
NET LOSS	<u>\$ (534,100)</u>	<u>\$ (752,425)</u>			<u>\$ (51,875)</u>	<u>\$ —</u>	<u>\$ (1,338,400)</u>
Net loss per common share:							
Basic	<u>\$ (1.31)</u>	<u>\$ (0.01)</u>					<u>\$ (0.02)</u>
Diluted	<u>\$ (1.31)</u>	<u>\$ (0.01)</u>					<u>\$ (0.02)</u>
Weighted average shares outstanding:							
Basic	<u>408,915</u>	<u>57,738,209</u>					<u>58,147,124</u>
Diluted	<u>408,915</u>	<u>57,738,209</u>					<u>58,147,124</u>

See accompanying notes to unaudited pro forma combined financial statements.

INFORMATION SYSTEMS ASSOCIATES, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

	Information Systems Associates, Inc. and Subsidiary For the Year Ended December 31, <u>2014</u>	Duos Technologies, Inc. For the Year Ended December 31, <u>2014</u>	Pro Forma Adjustments		Pro Forma Balances (Unaudited)
			Dr	Cr.	
REVENUES	\$ 401,311	\$ 4,202,457	\$ —	\$ —	\$ 4,603,768
COST OF REVENUES	<u>168,293</u>	<u>1,527,155</u>	<u>—</u>	<u>—</u>	<u>1,695,448</u>
GROSS PROFIT	<u>233,018</u>	<u>2,675,302</u>	<u>—</u>	<u>—</u>	<u>2,908,320</u>
OPERATING EXPENSES					
Selling and marketing expenses	—	283,440	—	—	283,440
Salaries, wages and contract labor	369,093	2,619,673			2,988,766
Research and development	—	191,662			191,662
Professional fees	57,583	83,538			141,121
General and administrative expenses	<u>236,132</u>	<u>1,084,683</u>	(3)	<u>207,500</u>	<u>1,528,315</u>
Total Operating Expenses	<u>662,808</u>	<u>4,262,996</u>	<u>207,500</u>	<u>—</u>	<u>5,133,304</u>
LOSS FROM OPERATIONS	<u>(429,790)</u>	<u>(1,587,694)</u>	<u>(207,500)</u>	<u>—</u>	<u>(2,224,984)</u>
OTHER INCOME (EXPENSE):					
Gain on settlement of accounts payable	5,200	—	—	—	5,200
Interest expense	(155,237)	(515,494)	—	—	(670,731)
Loss on note conversion	(150,274)	—	—	—	(150,274)
Loss on fixed assets disposal	(5,122)	—	—	—	(5,122)
Other	<u>—</u>	<u>31</u>	<u>—</u>	<u>—</u>	<u>31</u>
Total Other Income (Expense)	<u>(305,433)</u>	<u>(515,463)</u>	<u>—</u>	<u>—</u>	<u>(820,896)</u>
LOSS BEFORE INCOME TAXES	<u>(735,223)</u>	<u>(2,103,157)</u>	<u>(207,500)</u>	<u>—</u>	<u>(3,045,880)</u>
INCOME TAX	<u>—</u>	<u>(3,860)</u>	<u>—</u>	<u>—</u>	<u>(3,860)</u>
NET LOSS	<u>(735,223)</u>	<u>(2,107,017)</u>	<u>(207,500)</u>	<u>—</u>	<u>(3,049,740)</u>
PREFERRED STOCK DIVIDEND	<u>—</u>	<u>(536,376)</u>	<u>—</u>	<u>—</u>	<u>(536,376)</u>
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	<u>\$ (735,223)</u>	<u>\$ (2,643,393)</u>	<u>\$ (207,500)</u>	<u>\$ —</u>	<u>\$ (3,586,116)</u>
Net loss per common share:					
Basic	<u>\$ (1.25)</u>	<u>\$ (0.05)</u>			<u>\$ (0.06)</u>
Diluted	<u>\$ (1.25)</u>	<u>\$ (0.05)</u>			<u>\$ (0.06)</u>
Weighted average shares outstanding:					
Basic	<u>588,730</u>	<u>56,611,537</u>			<u>57,200,267</u>
Diluted	<u>588,730</u>	<u>56,611,537</u>			<u>57,200,267</u>

See accompanying notes to unaudited pro forma combined financial statements.

Pro Forma Financial Information.

The following unaudited pro forma combined balance sheet has been derived from the unaudited consolidated balance sheet of Information Systems Associates, Inc. and Subsidiary (the “Company” or “we”) at March 31, 2015, and adjusts such information to give the effect of 1) the acquisition of Duos Technologies, Inc. (“Duos”), as if it would have existed on March 31, 2015. The unaudited combined pro forma balance sheet gives effect to the anticipated share exchange agreement between the Company and the shareholders of Duos.

The following unaudited pro forma combined statements of operations for the year ended December 31, 2014 and for the three months ended March 31, 2015 have been derived from the consolidated statement of operations of the Company and Duos.

Duos Technologies, Inc. (the Company, we, our or Duos) is a Florida corporation organized on November 30, 1990 as a subsidiary of its then parent company Enviromental Capital Holdings, Inc. (ECH). In 2002 Duos spun off from ECH and became an independent entity. The Company is headquartered in Jacksonville, Florida.

Duos is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems, with a focus on homeland security applications. Duos converges traditional security measures with information technologies to create “actionable intelligence.” Duos’ IP is built upon two of its core technology platforms (**praesidium**® and **centraco**™), both distributed as licensed software suites, and natively embedded within engineered turnkey systems (see detailed description of the Company’s products at its website www.duostech.com). **praesidium**® is a modular suite of analytics applications which process and simultaneously analyze data streams from a virtually unlimited number of conventional sensors and/or data points. Native algorithms compare analyzed data against user-defined criteria and rules in real time and automatically report any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and subsystems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service (“AMS”). This unique service provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to the front end-user interface, if and when an issue, event or performance anomalies are detected. **centraco**™ is a comprehensive user interface that includes the functionalities of a Physical Security Information Management (PSIM) system as well as those of an Enterprise Information System (EIS) . This multi-layered interface can be securely installed as a stand-alone application suite inside a local area network or pushed outside a wide area network using the same browser-based interface. It leverages industry standards for data security, access, and encryption as appropriate. The platform also operates as a cloud-hosted solution.

The Company’s primary clients are railroad owner/operators, petro-chemical plants, utilities and hospitals that are potentially vulnerable to attack, and in the case of the railroads, illegal ridership and border security issues.

The unaudited pro forma combined balance sheet and unaudited combined statements of operations are presented for informational purposes only and do not purport to be indicative of the combined financial condition that would have resulted if the acquisition would have existed on December 31, 2014 and March 31, 2015.

Notes to Unaudited Pro Forma Combined Financial Statements

On April 1, 2015, the Company completed a reverse triangular merger, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among the Company, Duos, and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of the Company ("Merger Sub"). Under the terms of the Merger Agreement, Merger Sub merged with and into Duos, with Duos remaining as the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). The Merger was effective as of April 1, 2015, upon the filing of a copy of the Merger Agreement and articles of merger with the Secretary of State of the State of Florida (the "Effective Time"). As part of the merger agreement, the Company confirmed to Duos executives that its stockholders would receive 60,000,000 common shares of the Company. The Company intends to carry on Duos' business as a line of business following the Merger. The Company also intends to continue its existing operations through its existing wholly owned subsidiary, TrueVue 360, Inc. Duos made the decision to become a public company to give it broader access to the public financial markets to support its growth goals. The objective was to streamline the merger process by finding a clean, operating entity with no "toxic" debt and that was not and had never been a shell company, which Duos believes it has achieved with the merger with ISA.

The merger is being accounted for as a reverse merger using the acquisition method under ASC 805-40 with the Company deemed to be the acquired company for accounting purposes. This determination is based on Duos shareholders obtaining an approximate 98% voting control as well as management and Board control of the combined entity. Accordingly, the assets and liabilities and historical operations that are reflected in the consolidated financial statements after the merger are those of Duos stated at historical cost and the assets and liabilities of the Company were recorded at their fair values at the merger date. The results of operations of the Company are only consolidated with the results of operations starting on the merger date. An analysis of Duos Technologies established a total enterprise valuation of \$19,350,000 using a relative values approach. At the time of the merger, it was estimated that the Company's shareholders would own approximately 2% of the outstanding stock after issuance of 60,000,000 shares to Duos shareholders. This resulted in a purchase price of \$393,929. The difference between the recorded historical value of assets acquired and liabilities assumed totaling \$1,578,816 was allocated \$165,000 for tradename and technology and a further \$250,000 for existing customer relationships both of which will be amortized over 2 years. These trade name and technology amounts are based on the value of a secured loan against the patent and software and the customer relationships is calculated based on the estimated gross margin for the next two years for certain customer relationships. The remaining \$1,163,816 is allocated to Goodwill which is the expected synergies that will benefit the combined entity. Goodwill is not expected to be deductible for income tax purposes.

We have derived the Company's historical financial data at March 31, 2015 and for the three months ended March 31, 2015 from its unaudited financial statements contained on Form 10-Q as filed with the Securities and Exchange Commission and for the year ended December 31, 2014 from its audited financial statements contained on Form 10-K as filed with the Securities and Exchange Commission.

We have derived Duos historical consolidated financial statements as of March 31, 2015 and the three months ended March 31, 2015 and for the year ended December 31, 2014 from Duos financial statements contained elsewhere in this Form 8-K. Effective April 1, 2015, all outstanding common shares of the Company were exchanged for a total 60,000,000 common shares of Information Systems Associates, Inc. as a result of the merger. All share and per share data in the accompanying Duos financial statements and footnotes have been retroactively reflected for the exchange.

The unaudited combined pro forma balance sheet at March 31, 2015 gives effect to 1) reflect acquired intangible assets and 2) the reclassification of accumulated deficit to paid-in capital as if the merger occurred on March 31, 2015 and includes the following pro forma adjustments.

At March 31, 2015	Debit	Credit
1) To record acquisition of intangible assets in merger		
Goodwill	1,163,818	
Intangible assets	415,000	
Paid-in capital		1,578,816
2) To reclassify accumulated deficit to paid-in capital		
Paid-in Capital	6,621,609	

