

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-55497

**Duos Technologies Group, Inc.**

(Exact name of registrant as specified in its charter)

**Florida**  
(State or other jurisdiction of  
incorporation or organization)

**65-0493217**  
(IRS Employer Identification No.)

**6622 Southpoint Drive South, Suite 310,  
Jacksonville, Florida**  
(Address of principal executive offices)

**32216**  
(Zip Code)

Registrant's telephone number, including area code: **(904) 652-1616**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 12, 2019, Duos Technologies Group, Inc. had outstanding 25,430,224 shares of common stock, par value \$0.001 per share.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

<a href="#">Item 1.</a>	Financial Statements	1
<a href="#">Item 2.</a>	Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
<a href="#">Item 3.</a>	Qualitative and Quantitative Disclosures about Market Risk	26
<a href="#">Item 4.</a>	Controls and Procedures	26

PART II – OTHER INFORMATION

<a href="#">Item 1.</a>	Legal Proceedings	27
<a href="#">Item 1A.</a>	Risk Factors	27
<a href="#">Item 2.</a>	Unregistered Sales of Equity Securities and Use of Proceeds	27
<a href="#">Item 3.</a>	Defaults Upon Senior Securities	27
<a href="#">Item 4.</a>	Mine Safety Disclosures	27
<a href="#">Item 5.</a>	Other Information	27
<a href="#">Item 6.</a>	Exhibits	28
<a href="#">SIGNATURES</a>		29

---

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 280,684	\$ 1,209,301
Accounts receivable, net	1,841,778	1,538,793
Contract assets	304,061	1,208,604
Prepaid expenses and other current assets	366,591	235,198
Total Current Assets	<u>2,793,114</u>	<u>4,191,896</u>
Property and equipment, net	353,134	204,226
Operating lease right of use asset	565,926	—
<b>OTHER ASSETS:</b>		
Software Development Costs, net	30,000	40,000
Patents and trademarks, net	54,187	53,871
Total Other Assets	<u>84,187</u>	<u>93,871</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,796,361</u></b>	<b><u>\$ 4,489,993</u></b>

(Continued)

See accompanying notes to the unaudited consolidated financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 897,246	\$ 1,416,716
Accounts payable - related parties	13,473	13,473
Notes payable - financing agreements	125,029	48,330
Line of credit	28,704	31,201
Payroll taxes payable	120,964	317,573
Accrued expenses	237,999	222,328
Current portion-operating lease obligations	237,470	—
Contract liabilities	1,078,633	2,248,829
Deferred revenue	597,516	362,528
<b>Total Current Liabilities</b>	<b>3,337,034</b>	<b>4,660,978</b>
Operating lease obligations	354,932	—
<b>Total Liabilities</b>	<b>3,691,966</b>	<b>4,660,978</b>
<b>Commitments and Contingencies (Note 6)</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Preferred stock: \$0.001 par value, 10,000,000 authorized, 9,485,000 shares available to be designated		
Series A redeemable convertible cumulative preferred stock, \$10 stated value per share, 500,000 shares designated; 0 issued and outstanding at June 30, 2019 and December 31, 2018, convertible into common stock at \$6.30 per share	—	—
Series B convertible cumulative preferred stock, \$1,000 stated value per share, 15,000 shares designated; 2,830 issued and outstanding at June 30, 2019 and December 31, 2018, convertible into common stock at \$0.50 per share	2,830,000	2,830,000
Common stock: \$0.001 par value; 500,000,000 shares authorized, 25,155,224 and 21,082,351 shares issued, 25,147,231 and 21,075,958 shares outstanding at June 30, 2019 and December 31, 2018, respectively	25,155	21,082
Additional paid-in capital	29,575,305	27,397,225
<b>Total stock &amp; paid-in-capital</b>	<b>32,430,460</b>	<b>30,248,307</b>
Accumulated deficit	(32,175,455)	(30,269,833)
Sub-total	255,005	(21,526)
Less: Treasury stock (7,992 and 6,393 shares of common stock at June 30, 2019 and December 31, 2018, respectively)	(150,610)	(149,459)
<b>Total Stockholders' Equity (Deficit)</b>	<b>104,395</b>	<b>(170,985)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 3,796,361</b>	<b>\$ 4,489,993</b>

See accompanying notes to the unaudited consolidated financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>REVENUES:</b>				
Project	\$ 984,991	\$ 2,940,992	\$ 4,903,429	\$ 3,785,706
Maintenance and technical support	280,601	252,447	602,075	509,893
IT asset management services	80,213	46,617	192,382	92,386
Total Revenues	<u>1,345,805</u>	<u>3,240,056</u>	<u>5,697,886</u>	<u>4,387,985</u>
<b>COST OF REVENUES:</b>				
Project	967,649	1,846,871	3,060,643	2,394,670
Maintenance and technical support	156,341	108,193	261,665	211,516
IT asset management services	47,415	27,751	70,334	47,989
Total Cost of Revenues	<u>1,171,405</u>	<u>1,982,815</u>	<u>3,392,642</u>	<u>2,654,175</u>
<b>GROSS PROFIT</b>	<u>174,400</u>	<u>1,257,241</u>	<u>2,305,244</u>	<u>1,733,810</u>
<b>OPERATING EXPENSES:</b>				
Selling and marketing expenses	128,506	74,403	238,122	115,624
Salaries, wages and contract labor	1,338,302	1,315,240	2,607,081	2,081,111
Research and development	118,435	143,081	231,129	278,361
Professional fees	17,054	59,937	144,973	123,801
General and administrative expenses	521,268	295,141	986,655	504,976
Total Operating Expenses	<u>2,123,565</u>	<u>1,887,802</u>	<u>4,207,960</u>	<u>3,103,873</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,949,165)</u>	<u>(630,561)</u>	<u>(1,902,716)</u>	<u>(1,370,063)</u>
<b>OTHER INCOME (EXPENSES):</b>				
Interest Expense	(3,692)	(4,438)	(6,313)	(10,166)
Gain on settlement of debt	—	—	—	—
Warrant derivative gain	—	—	—	—
Other income, net	3,066	636	3,407	2,762
Total Other Income (Expense)	<u>(626)</u>	<u>(3,802)</u>	<u>(2,906)</u>	<u>(7,404)</u>
<b>NET LOSS</b>	<u>(1,949,791)</u>	<u>(634,363)</u>	<u>(1,905,622)</u>	<u>(1,377,467)</u>
Net loss applicable to common stock	<u>\$ (1,949,791)</u>	<u>\$ (634,363)</u>	<u>\$ (1,905,622)</u>	<u>\$ (1,377,467)</u>
<b>Basic &amp; Diluted Net Loss Per Share</b>	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>
<b>Weighted Average Shares-Basic &amp; Diluted</b>	<u>25,041,232</u>	<u>20,707,153</u>	<u>23,316,146</u>	<u>20,706,712</u>

See accompanying notes to the unaudited consolidated financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**For the Three and Six Months Ended June 30, 2018 and 2019**

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2017	2,830	\$ 2,830,000	20,657,850	\$ 20,658	\$ 26,608,823	\$ (28,688,946)	\$ (148,000)	622,535
Common stock issued for services	—	—	52,209	52	73,656	—	—	73,708
Net Loss for the three months ended March 31, 2018	—	—	—	—	—	\$ (743,104)	—	(743,104)
Balance March 31, 2018	2,830	\$ 2,830,000	20,710,059	\$ 20,710	\$ 26,682,479	\$ (29,432,049)	\$ (148,000)	\$ (46,861)
Stock options granted to employees	—	—	—	—	403,070	—	—	403,070
Net Loss for the three months ended June 30, 2018	—	—	—	—	—	\$ (634,363)	—	(634,363)
Balance June 30, 2018	2,830	\$ 2,830,000	20,710,059	\$ 20,710	\$ 27,085,549	\$ (30,066,413)	\$ (148,000)	\$ (278,154)
	Preferred Stock		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2018	2,830	\$ 2,830,000	21,082,351	\$ 21,082	\$ 27,397,225	\$ (30,269,833)	\$ (149,459)	\$ (170,985)
Commons stock issued for warrants exercised	—	—	3,000,000	3,000	1,647,000	—	—	1,650,000
Stock options granted to employees	—	—	—	—	21,892	—	—	21,892
Net Income for the three months ended March 31, 2019	—	—	—	—	—	44,169	—	44,169
Balance March 31, 2019	2,830	\$ 2,830,000	24,082,351	\$ 24,082	\$ 29,066,117	\$ (30,225,664)	\$ (149,459)	1,545,076
Commons stock issued for warrants exercised	—	—	1,072,873	1,073	512,947	—	0	514,020
Stock Repurchase	—	—	—	—	—	—	(1,151)	(1,151)
Stock options granted to employees	—	—	—	—	6,241	—	—	6,241
Stock issuance cost	—	—	—	—	(10,000)	—	—	(10,000)
Net loss for the three months ended June 30, 2019	—	—	—	—	—	(1,949,791)	—	(1,949,791)
Balance June 30, 2019	2,830	\$ 2,830,000	25,155,224	\$ 25,155	\$ 29,575,305	\$ (32,175,455)	\$ (150,610)	\$ 104,395

See accompanying notes to the unaudited consolidated financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Six Months Ended	
	June 30,	
	2019	2018
<b>Cash from operating activities:</b>		
Net loss	\$ (1,905,622)	\$ (1,377,467)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	87,325	43,714
Stock based compensation	28,134	403,070
Changes in assets and liabilities:		
Accounts receivable	(302,986)	(453,476)
Contract assets	904,543	83,872
Prepaid expenses and other current assets	86,411	(150,340)
Operating lease right of use asset	(565,926)	—
Accounts payable	(519,468)	351,832
Related payable-related party	—	2,000
Payroll taxes payable	(196,609)	28,942
Accrued expenses	15,671	(54,781)
Operating lease obligation	592,402	—
Contract liabilities	(1,170,197)	1,568,554
Deferred revenue	234,988	(250,175)
<b>Net cash (used in) provided by operating activities</b>	<b>(2,711,334)</b>	<b>195,745</b>
<b>Cash flows from investing activities:</b>		
Software development costs	—	(60,000)
Purchase of patents/trademarks	(3,000)	(1,000)
Purchase of fixed assets	(223,549)	(134,814)
<b>Net cash used in investing activities</b>	<b>(226,549)</b>	<b>(195,814)</b>
<b>Cash flows from financing activities:</b>		
Repurchase of common stock	(1,151)	—
Repayments of line of credit	(2,497)	(1,305)
Repayments of related party notes	—	(48,215)
Issuance cost	(10,000)	—
Repayments of insurance and equipment financing	(141,105)	(138,633)
Proceeds from warrants exercised	2,164,019	—
<b>Net cash provided by (used in) financing activities</b>	<b>2,009,266</b>	<b>(188,153)</b>
<b>Net decrease in cash</b>	<b>(928,617)</b>	<b>(188,222)</b>
<b>Cash, beginning of period</b>	<b>1,209,301</b>	<b>1,941,818</b>
<b>Cash, end of period</b>	<b>\$ 280,684</b>	<b>\$ 1,753,596</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ 4,109	\$ 5,327
<b>Supplemental Non-Cash Investing and Financing Activities:</b>		
Common stock issued for accrued BOD fees	\$ —	\$ 73,708
Note issued for financing of insurance premiums	\$ 217,804	\$ 198,548

See accompanying notes to the unaudited consolidated financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

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

**Nature of Operations**

Duos Technologies Group, Inc. (the “duostech Group”), through its operating subsidiaries, Duos Technologies, Inc. (“duostech”) and TrueVue360, Inc (“TrueVue360”, duostech Group and duostech, collectively the “Company”) is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems. duostech converges traditional security measures with information technologies to create “actionable intelligence.” duostech’s 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. 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 sub-systems, 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 provides a broad range of sophisticated intelligent technology solutions with an emphasis on security, inspection and operations for critical infrastructure within a variety of industries including transportation, retail, law enforcement, oil, gas and utilities sectors. In January 2019, the Company launched a dedicated Artificial Intelligence software platform, truevue360™, through its subsidiary TrueVue360 with the objective of focusing the Company’s advanced intelligent technologies in the areas of Artificial Intelligent, Deep Machine Learning and Advance Algorithms to further support our business growth. Consequently, our business operations are now in three business units: intelligent technologies, AI/machine learning platforms and IT asset management.

The Company’s strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and growth through accretive acquisitions. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, commercial, petrochemical, government, and banking sectors. The Company also offers professional and consulting services for large data centers.

**Basis of Presentation**

The accompanying unaudited condensed consolidated 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 six months ended June 30, 2019 are not indicative of the results that may be expected for the year ending December 31, 2019 or for any other future period. These unaudited consolidated financial statements and the unaudited condensed notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission (the “SEC”) on April 15, 2019.

**Principles of Consolidation**

The consolidated financial statements include duostech Group and its wholly-owned subsidiaries, Duos Technologies, Inc. and TrueVue 360, Inc. All inter-company transactions and balances are eliminated in consolidation.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

**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 consolidated financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of intangible and other long-lived assets, estimates of net contract revenues and the total estimated costs to determine progress towards contract completion, valuation of derivatives, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, and valuation of stock-based awards. 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**

Cash is maintained at financial institutions and at times, balances may exceed federally insured limits. We have not experienced any losses related to these balances. There were no amounts on deposit in excess of federally insured limits at June 30, 2019.

**Significant Customers and Concentration of Credit Risk**

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

For the six months ended June 30, 2019, two customers accounted for 69%, and 12% of revenues. For the six months ended June 30, 2018, two customers accounted for 56% and 14% of revenues.

At June 30, 2019, four customers accounted for 25%, 17%, 13% and 10% of accounts receivable. At December 31, 2018, two customers accounted for 58% and 34% of accounts receivable.

**Geographic Concentration**

Approximately 72% of revenue is generated from two customers outside of the United States.

**Fair Value of Financial Instruments and Fair Value Measurements**

We measure our financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Amounts recorded for notes payable, net of discount, and loans payable also approximate fair value because current interest rates available to us for debt with similar terms and maturities are substantially the same.

We follow accounting guidance for financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost).

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

**Software Development Costs**

Software development costs incurred prior to establishing technological feasibility are charged to operations and included in research and development costs. The technological feasibility of a software product is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product meets its design specifications, including functionality, features, and technical performance requirements. Software development costs incurred after establishing technological feasibility for software sold as a perpetual license, as defined within ASC 985-20 (Software – Costs of Software to be sold, Leased, or Marketed) are capitalized and amortized on a product-by-product basis when the product is available for general release to customers.

**Earnings (Loss) Per Share**

Basic earnings per share (EPS) are computed by dividing net loss applicable to common stock by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss applicable to common stock 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, convertible preferred stock or other common stock equivalents. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. At June 30, 2019, there was an aggregate of 20,825,984 outstanding warrants to purchase shares of common stock. At June 30, 2019, there was an aggregate of 2,162,000 shares of employee stock options to purchase shares of common stock. Also, at June 30, 2019, 5,660,000 common shares were issuable upon conversion of Series B convertible preferred stock, all of which were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive.

**Revenue Recognition**

As of January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (“ASC 606”), that affects the timing of when certain types of revenues will be recognized. The basic principles in ASC 606 include the following: a contract with a customer creates distinct unrecognized contract assets and performance obligations; satisfaction of a performance obligation creates revenue; and a performance obligation is satisfied upon transfer of control to a good or service to a customer.

Revenue is recognized for sales of systems and services over time using cost-based input methods, in which significant judgement is required to evaluate assumptions including the amount of net contract revenues and the total estimated costs to determine our progress towards contract completion and to calculate the corresponding amount of revenue to recognize.

Revenue is recognized by evaluating our revenue contracts with customers based on the five-step model under ASC 606:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to separate performance obligations; and
5. Recognize revenue when (or as) each performance obligations is satisfied.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

Accordingly, the Company now bases its revenue recognition on ASC 606-10-25-27, where control of a good or service transfers over time if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date including a profit margin or reasonable return on capital. Control is deemed to pass to the customer instantaneously as the goods are manufactured and revenue is recognized accordingly.

In addition, the Company has adopted ASC 606-10-55-21 such that if the cost incurred is not proportionate to the progress in satisfying the performance obligation, we adjust the input method to recognize revenue only to the extent of the cost incurred. Therefore, the Company will recognize revenue at an equal amount to the cost of the goods to satisfy the performance obligation. To accurately reflect revenue recognition based on the input method, the Company has adopted the implementation guidance as set out in ASC-606-10-55-187 through 192.

**Segment Information**

The Company operates in one reportable segment.

**Stock Based Compensation**

The Company accounts for employee stock-based compensation in accordance with ASC 718-10, "*Share-Based Payment*," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options, restricted stock units, and employee stock purchases based on estimated fair values.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718). This update is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to non-employees (for example, service providers, external legal counsel, suppliers, etc.). The ASU expands the scope of Topic 718, Compensation—Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to non-employees for goods and services. Consequently, the accounting for share-based payments to non-employees and employees will be substantially aligned. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. Management implemented this standard on January 1, 2019.

***Determining Fair Value Under ASC 718-10***

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing formula. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The Company's determination of fair value using an option-pricing model is affected by the stock price as well as assumptions regarding the number of highly subjective variables.

The Company estimates volatility based upon the historical stock price of the Company and estimates the expected term for employee stock options using the simplified method for employees and directors and the contractual term for non-employees. The risk-free rate is determined based upon the prevailing rate of United States Treasury securities with similar maturities.

**Recent Accounting Pronouncements**

From time to time, the FASB or other standards setting bodies will issue new accounting pronouncements. Updates to the FASB ASC are communicated through issuance of an Accounting Standards Update ("ASU").

In August 2018, the FASB issued ASU 2018-13, "Changes to Disclosure Requirements for Fair Value Measurements", which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company will be evaluating the impact this standard will have on the Company's financial statements.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

**NOTE 2 – LIQUIDITY**

As reflected in the accompanying unaudited consolidated financial statements, the Company had a net loss of \$1,905,622 for the six months ended June 30, 2019. During the same period, cash used in operating activities was \$2,711,334. The working capital deficit and accumulated deficit as of June 30, 2019 were \$543,920 and \$32,175,455, respectively. In previous financial reports, the Company had raised substantial doubt about continuing as a going concern. This was principally due to a lack of working capital prior to a capital raise which was completed in late 2017 (the “2017 Offering”). Prior to this event, the Company was carrying significant debt obligations including a senior secured note with cash interest payments.

After the 2017 Offering, management paid down all debt which eliminated monthly obligations for interest payments other than for normal course of business financing, secured sufficient working capital for ongoing operations and was successful in closing business and establishing a backlog such that we were breakeven or profitable in two of the last four quarters excluding the current quarter. The Company has been successful in increasing its ongoing working, capital with \$2,164,019 in warrant executions during the first half of 2019 and has secured approximately \$151,250 in additional warrant conversions. Additionally, the Company continues to be successful in identifying, closing and executing large contracts in the Freight railroad industry. We expect to receive a substantial order in the third quarter from an existing client which will substantially boost our cash reserves in the short term.

Management continues to believe that we have alleviated the substantial doubt for the Company to continue as a going concern. We are executing the plan to grow our business and achieve profitability without the requirement to raise additional capital for existing operations other than encouraging early conversions of cash warrants. Ultimately, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above, generate sufficient revenue and to attain consistently profitable operations. Additionally, the Company expects potential further warrant exercises, in addition to potential capital raises of its equity or debt securities, though no guarantees can be made with respect to the foregoing. Management will continue to evaluate these plans in future filings.

**NOTE 3 – SOFTWARE DEVELOPMENT COSTS**

At June 30, 2019 and December 31, 2018, the Company capitalized \$60,000, relating to the development of new software products. These software products were developed by a third-party and had passed the preliminary project stage prior to capitalization.

Software development costs consisted of the following at June 30, 2019 and December 31, 2018:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Software Development Costs	\$ 60,000	\$ 60,000
Less: Accumulated amortization	(30,000)	(20,000)
<b>Total</b>	<u>\$ 30,000</u>	<u>\$ 40,000</u>

Amortization expense of software development costs for the six months ended June 30, 2019 and 2018 was \$10,000 and \$10,000, respectively.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

**NOTE 4 – DEBT**

**Notes Payable - Financing Agreements**

The Company's notes payable relating to financing agreements classified as current liabilities consist of the following as of:

<b>Notes Payable</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Third Party - Insurance Note 1	\$ 6,418	9.29%	\$ 25,066	9.29%
Third Party - Insurance Note 2	31,438	6.36%	8,501	10.25%
Third Party - Insurance Note 3	1,645	10.75%	14,763	10.75%
Third Party - Insurance Note 4	85,528	6.36%	—	—
<b>Total</b>	<b>\$ 125,029</b>		<b>\$ 48,330</b>	

The Company entered into an agreement on December 23, 2018 with its insurance provider by executing a \$25,066 note payable (Insurance Note 1) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.29% payable in monthly installments of principal and interest totaling \$2,172 through September 23, 2019. The balance of Insurance Note 1 as of June 30, 2019 and December 31, 2018 was \$6,418 and \$25,066, respectively.

The Company entered into an agreement on April 15, 2018 with its insurance provider by executing a \$49,000 note payable (Insurance Note 2) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 10.75% payable in monthly installments of principal and interest totaling \$4,378 through February 15, 2019. The policy renewed on April 15, 2019 in the amount of \$51,940 with an annual interest rate of 6.36% payable in monthly installments of principal and interest totaling \$5,326. At June 30, 2019 and December 31, 2018, the balance of Insurance Note 2 was \$31,438 and \$8,501, respectively.

The Company entered into an agreement on September 15, 2018 renewing with its insurance provider by executing a \$15,810 note payable (Insurance Note 3), secured by that policy, with an annual interest rate of 10.75% payable in monthly installments of principal and interest totaling \$1,660 through July 15, 2019. At June 30, 2019 and December 31, 2018, the balance of Insurance Note 3 was \$1,645 and \$14,763, respectively.

The Company entered into an agreement on February 3, 2018 with its insurance provider by executing a \$127,561 note payable (Insurance Note 4) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 8.80% payable in monthly installments of principal and interest totaling \$13,276 through November 3, 2018. The policy renewed on February 3, 2019 in the amount of \$141,058 with an annual interest rate of 6.36% payable in monthly installments of principal and interest totaling \$14,520. At June 30, 2019 and December 31, 2018, the balance of Insurance Note 4 was \$85,528 and zero, respectively.

**NOTE 5 – LINE OF CREDIT**

The Company assumed a line of credit with Wells Fargo Bank upon merger with ISA on April 1, 2015. The line of credit provided for borrowings up to \$40,000 but is now closed to future borrowing. The balance as of June 30, 2019 and December 31, 2018, was \$28,704 and \$31,201, respectively, including accrued interest. This line of credit has no maturity date. The annual interest rate is 12% at June 30, 2019. The former CEO of ISA is the personal guarantor.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Delinquent Payroll Taxes Payable**

As of the date hereof, the Company has paid its payroll taxes in full. However, the Company had previously appealed to the IRS for a reduction of penalty payments assessed for the late payment of payroll taxes. The IRS has since responded, and the Company will be required to repay the penalties in connection with the delinquent payroll taxes. The Company has started making monthly payments in the amount of \$15,000 starting in July 2018 to pay down the accrued late fees. At June 30, 2019, the payroll taxes payable balance of \$120,964 includes accrued late fees in the amount of \$63,572.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

**Licensing Agreement**

The Company has entered into a new software license and configuration services agreement with a third-party vendor. The annual support and maintenance fees of approximately \$300,000 include support and updates to the vendor's Gateway software and customer access to their services (including web application, mobile application, and associated APIs) for gateway configuration, gateway monitoring and management, application configuration, application management, and automatic model updates.

The Company has also entered into a SaaS Agreement with the same vendor that is an Amazon AWS-hosted software service enabling the automation of visual observation tasks using deep convolutional neural networks and other computer vision techniques. It consists of a public API, web application, iPhone application, and associated backend services. The system supports the labeling of example image data, the automatic building of classification, detection, localization, measuring and counting applications based on the labeled example data, and the run-time deployment of the trained application models.

**NOTE 7 – OPERATING LEASE OBLIGATIONS**

The Company has two operating lease agreements for office and warehouse space of approximately 12,708 square feet located in Jacksonville, Florida. On April 1, 2019, the Company increased the office square feet from 8,308 to 10,203 office space. The Company now has a total of office and warehouse space of approximately 14,603 square feet. The current lease was amended on May 1, 2016 and again on April 1, 2019 and ends on October 31, 2021. The rent is subject to an annual escalation of 3%, beginning May 1, 2017. The Company entered a new lease agreement of office and warehouse space on June 1, 2018 and ending May 31, 2021.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)* ("ASU 2016-02"), which requires all leases with a term greater than 12 months to be recognized on the balance sheet, while lease expenses would continue to be recognized in the statement of operations in a manner similar to current accounting guidance. We adopted ASU 2016-02 effective January 1, 2019, on a modified retrospective basis, without adjusting comparative periods presented. Effective January 1, 2019, the Company established a right-of-use model (ROU) asset and operating lease liability in the amount of \$597,103. The right of use asset balance at June 30, 2019 was \$565,926, the operating lease liability – current portion was \$237,470 and the operating lease liability – long term portion was \$354,932. This is the Company's only lease whose term is greater than 12 months. The adoption of ASU 2016-02 did not materially affect our consolidated statement of operations or our consolidated statements of cash flows. We made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet and to recognize all lease payments for leases with a term greater than 12 months on a straight-line basis over the lease term in our consolidated statements of operations.

**NOTE 8 – STOCKHOLDERS' EQUITY**

**Common stock issued for exercise of warrants**

During the first quarter of 2019, the Company entered into an agreement with two shareholders who were also holders of warrants to purchase shares of common stock in the aggregate amount of 3,000,000 shares, to reduce the exercise price of these warrants to \$0.55 from the original exercise price of \$0.65 based on immediate exercise. Both shareholders exercised these warrants in March 2019 for proceeds to the Company of \$1,650,000. The Company also accepted warrant exercises in the second quarter of 2019 from three additional shareholders who were also holders of warrants to purchase shares of common stock in the aggregate amount of 934,581 shares. The exercise price of these warrants was also lowered to \$0.55 from the original exercise price of \$0.65 based on immediate exercise for further proceeds to the Company of \$514,020. Further, during the second quarter of 2019, the Company issued 138,292 shares of common stock upon the cashless exercise of 651,982 common stock warrants.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

**Stock-Based Compensation**

Stock-based compensation expense recognized under ASC 718-10 for the six months ended June 30, 2019, was \$28,134 for stock options granted to employees and directors. This expense is included in selling, general and administrative expenses in the unaudited consolidated statements of operations. Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. At June 30, 2019, the total compensation cost for stock options not yet recognized was \$13,887. This cost will be recognized over the remaining vesting term of the options of approximately one year.

**Employee Stock Options**

A maximum of 2,500,000 shares were made available for grant under the 2016 Plan, as amended, and all outstanding options under the Plan provide a cashless exercise feature. The identification of individuals entitled to receive awards, the terms of the awards, and the number of shares subject to individual awards, are determined by our Board of Directors or the Compensation Committee, at their sole discretion. The aggregate number of shares with respect to which options or stock awards may be granted under the 2016 Plan and the purchase price per share, if applicable, shall be adjusted for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, recapitalization or similar event. As of June 30, 2019, and December 31, 2018, options to purchase 2,162,000 shares of common stock and 2,242,000 shares of common stock were outstanding under the 2016 Plan, respectively.

The Company has no expired employee stock options under the 2016 Plan at June 30, 2019.

	June 30, 2019	
	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2018	2,242,000	\$ 1.00
Granted	120,000	\$ 1.00
Exercised	—	\$ —
Forfeited	(200,000)	\$ 1.00
Expired	—	\$ —
Outstanding at June 30, 2019	2,162,000	\$ 1.00
Exercisable at June 30, 2019	2,042,000	\$ 1.00

**Outstanding**

Weighted average remaining contractual term	3.80
Aggregate intrinsic value	\$ —
Weighted average grant date fair value (per share)	\$ 0.22

**Exercisable**

Weighted average remaining contractual term	3.55
Aggregate intrinsic value	—

On January 29, 2019, the Board of Directors appointed a new independent director and Chairman of the Compensation Committee. As a result of the appointment, the new director was granted 120,000 stock options exercisable at \$1.00 per share vesting one year from the date of grant. On March 31, 2019, the President and Chief Operating Officer of Duos Technologies Inc., resigned from her positions. Due to the resignation, the individual forfeited 200,000 stock options previously granted.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

**Warrants**

The following is a summary of activity for warrants to purchase common stock for the six months ended June 30, 2019:

	<b>June 30, 2019</b>		
	<b>Number of Warrants</b>	<b>Weighted Avg. Exercise Price</b>	<b>Remaining Contractual Life (Years)</b>
Outstanding at December 31, 2018	25,412,547	\$ .70	3.9
Warrants expired	—		
Warrants issued	—		
Warrants cancelled/exercised	(4,586,563)	.47	
Outstanding at end of period	<u>20,825,984</u>	<u>.63</u>	<u>3.4</u>
Exercisable at end of period	<u>20,825,984</u>	<u>\$ .47</u>	<u>3.4</u>

During the first quarter of 2019, the Company received \$1,650,000 for the exercise of warrants for 3,000,000 shares of common stock.

During the second quarter of 2019, the Company received an aggregate of \$514,020 for the exercise of warrants to purchase 934,581 shares of common stock. Also, during the second quarter of 2019, the Company issued 138,292 shares of common stock upon the cashless exercise of 651,982 common stock warrants.

**NOTE 9 - REVENUE**

**Revenue Recognition and Contract Accounting**

The Company generates revenue from three sources: (1) Project Revenue; (2) Maintenance and Technical Support and (3) IT Asset Management (software licensing, consulting and auditing).

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on project revenue are recognized based on ASC 606-10-25-27, where control of a good or service transfers over time if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date including a profit margin or reasonable return on capital. Control is deemed to pass to the customer instantaneously as the goods are manufactured and revenue is recognized accordingly.

In addition, the Company has adopted ASC 606-10-55-21 such that if the cost incurred is not proportionate to the progress in satisfying the performance obligation, we adjust the input method to recognize revenue only to the extent of the cost incurred. Therefore, the Company will recognize revenue at an equal amount to the cost of the goods to satisfy the performance obligation. To accurately reflect revenue recognition based on the input method, the Company has adopted the implementation guidance as set out in ASC 606-10-55-187 through 192.

Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred. 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 "contract assets". Any billings of customers more than recognized revenues are recorded as a liability in "contract liabilities". However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined.

**NOTE 10 – CONTRACT ACCOUNTING**

**Contract Assets**

Contract assets on uncompleted contracts represents costs and estimated earnings in excess of billings and/or cash received on uncompleted contracts accounted for under the input method, which recognizes revenue only to the extent of the cost incurred.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

At June 30, 2019 and December 31, 2018, contract assets on uncompleted contracts consisted of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Costs and estimated earnings recognized	\$ 3,241,030	\$ 4,273,057
Less: Billings or cash received	(2,936,969)	(3,064,453)
<b>Contract assets</b>	<b>\$ 304,061</b>	<b>\$ 1,208,604</b>

**Contract Liabilities**

Contract liabilities on uncompleted contracts represents billings and/or cash received that exceed accumulated revenues recognized on uncompleted contracts accounted for under the input method, which recognizes revenue only to the extent of the cost incurred.

At June 30, 2019 and December 31, 2018, contract liabilities on uncompleted contracts consisted of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Billings and/or cash receipts on uncompleted contracts	\$ 12,166,178	\$ 8,563,241
Less: Costs and estimated earnings recognized	(11,087,545)	(6,314,412)
<b>Contract liabilities</b>	<b>\$ 1,078,633</b>	<b>\$ 2,248,829</b>

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.

For sales arrangements that do not involve multiple elements such as professional services, which are of short-term duration, revenues are recognized when services are completed.

**IT Asset Management Services (“ITAM”)**

The Company’s ITAM business generates revenues under contract with customers from three sources: (1) Professional Services (consulting and auditing); (2) Software licensing with optional hardware sales; and (3) Customer Service (training and maintenance support).

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

For sales arrangements that do not involve performance obligations:

- (1) Revenues for professional services, which are of short-term duration, are recognized when services are completed;
- (2) For all periods reflected in this report, software license sales have been one-time sales of a perpetual license to use our software product and the customer also has the option to purchase third party manufactured handheld devices from us if they purchase our software license. Accordingly, the revenue is recognized upon delivery of the software and delivery of the hardware, as applicable, to the customer;
- (3) Training sales are one-time upfront short-term training sessions and are recognized after the service has been performed; and
- (4) Maintenance/support is an optional product sold to our software license customers under one-year contracts. Accordingly, maintenance payments received upfront are deferred and recognized over the contract term.

**Multiple Elements**

Arrangements with customers may involve multiple elements including project revenue and maintenance services in our Intelligent Technology Systems business. Maintenance will occur after the project is completed and may be provided on an extended-term basis or on an as-needed basis. In our ITAM business, multiple elements may include any of the above four sources. Training and maintenance on software products may occur after the software product sale while other services may occur before or after the software product sale and may not relate to the software product. 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 above 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 various services and software and hardware products at established prices on a standalone basis which provides Company specific objective evidence of selling price for purposes of multiple element relative selling price allocation. 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.

**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.

**Disaggregation of Revenue**

The Company is following the guidance of ASC 606-10-55-296 and 297 for disaggregation of revenue. Accordingly, revenue has been disaggregated according to the nature, amount, timing and uncertainty of revenue and cash flows. We are providing qualitative and quantitative disclosures.

**Qualitative:**

1. We have three distinct revenue sources:
  - a. Turnkey, engineered projects;
  - b. Associated maintenance and support services; and
  - c. Licensing and professional services related to auditing of data center assets.
2. We currently operate in North America including the USA, Mexico and Canada.

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**  
**(Unaudited)**

3. Our customers include rail transportation, commercial, petrochemical, government, banking and IT suppliers.
4. Our contracts are fixed-price and fall into two duration types:
  - a. Turnkey engineered projects and professional service contracts that are less than 1 year in duration and are typically three to nine months in length; and
  - b. Maintenance and support contracts ranging from one to five years in length.
5. Transfer of goods and services are over time.

**Quantitative:**

**For the Six Months Ended June 30, 2019**

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
<b>Primary Geographical Markets</b>							
North America	\$ 4,476,933	\$ 188,931	\$ 54,973	\$ 97,068	\$ 687,599	\$ 192,382	\$ 5,697,886
<b>Major Goods and Service Lines</b>							
Turnkey Projects	\$ 3,942,219	\$ 186,734	\$ 39,361	\$ 56,626	\$ 678,489	\$ —	\$ 4,903,429
Maintenance & Support	534,714	2,197	15,612	40,442	9,110	—	602,075
Data Center Auditing Services	—	—	—	—	—	144,982	144,982
Software License	—	—	—	—	—	47,400	47,400
	<u>\$ 4,476,933</u>	<u>\$ 188,931</u>	<u>\$ 54,973</u>	<u>\$ 97,068</u>	<u>\$ 687,599</u>	<u>\$ 192,382</u>	<u>\$ 5,697,886</u>
<b>Timing of Revenue Recognition</b>							
Goods transferred over time	\$ 3,942,219	\$ 186,734	\$ 39,361	\$ 56,626	\$ 678,489	\$ 192,382	\$ 5,095,811
Services transferred over time	534,714	2,197	15,612	40,442	9,110	—	602,075
	<u>\$ 4,476,933</u>	<u>\$ 188,931</u>	<u>\$ 54,973</u>	<u>\$ 97,068</u>	<u>\$ 687,599</u>	<u>\$ 192,382</u>	<u>\$ 5,697,886</u>

**NOTE 11 – SUBSEQUENT EVENTS**

On July 9, 2019, a shareholder exercised 200,000 warrants at an exercise price of \$0.55 for \$110,000.

On July 29, 2019, the same shareholder exercised warrants to purchase 75,000 shares of common stock for proceeds to the Company of \$41,250.

On July 29, 2019, the Company entered into an agreement with a shareholder to purchase back 10,537 shares of common stock at fair the market value of \$0.65 per share for a payment made by the Company in the amount of \$6,849.

On July 31, at the Annual Meeting of the shareholders, an increase in the authorized shares of the Company's 2016 Equity Incentive Plan was approved from 2,500,000 to 4,500,000 shares.

On August 13, 2019, the Company's Board of Directors nominated and approved Ned Mavrommatis as a Director and co-Chairman of the Audit Committee.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

*This Form 10-Q and other reports or schedules filed by the Company from time to time with the U.S. Securities and Exchange Commission (collectively, the "Filings") contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the Filings, the words "may," "will," "will likely result," "project," "continue," "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to many uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based.*

*Any one or more of these uncertainties, risks, and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.*

*Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements.*

*Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.*

### Overview

Duos Technologies Group, Inc. was incorporated in Florida on May 31, 1994 (the "Company") under the original name of Information Systems Associates, Inc. ("ISA"). Initially, our business operations consisted of consulting services for asset management of large corporate data centers and the development and licensing of information technology ("IT") asset management software. In late 2014, ISA entered negotiations with Duos Technologies, Inc. ("duostech"), for the purposes of executing a reverse triangular merger. This transaction was completed on April 1, 2015, whereby duostech became a wholly owned subsidiary of the Company. duostech was incorporated under the laws of Florida on November 30, 1990 for design, development and deployment of proprietary technology applications and turn-key engineered systems. The Company, based in Jacksonville, Florida, employs approximately 50 people and is a technology and software applications company with a strong portfolio of intellectual property. The Company's core competencies, including advanced intelligent technologies, are delivered through its proprietary integrated enterprise command and control platform, centraco®.

The Company provides a broad range of sophisticated intelligent technology solutions with an emphasis on security, inspection and operations for critical infrastructure within a variety of industries including transportation, retail, law enforcement, oil, gas and utilities sectors. In January 2019, the Company launched a dedicated Artificial Intelligence program truevue360™ through its subsidiary, TrueVue360, Inc., ("TrueVue360") with the objective of focusing the Company's advanced intelligent technologies in the areas of Artificial Intelligent, Deep Machine Learning and Advance Algorithms to further support our business growth. Consequently, our business operations are now in three business units: intelligent technologies, AI/machine learning platforms and IT asset management.

The Company's growth strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and through strategic acquisitions. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, commercial, petrochemical, government, and banking sectors. The Company also offers professional and consulting services for large data centers.

Specifically, based upon the current and anticipated business growth, the Company is investing in resources to focus on execution within its target markets, including but not limited to rail, distribution centers and security. We continue to evaluate key requirements within those markets and add development resources to allow us to compete for additional projects to drive additional revenue growth.

Further, the Company is broadening its offerings in the IT asset management ("ITAM") space for large data centers. During the quarter ended June 30, 2018, the Company announced its new dcVue software platform which is the basis for expanded offerings into this market area. The dcVue offering is a new software platform that replaces the Company's On-Site Physical Inventory (OSPI) system that was commercially marketed from 2010 until 2015. OSPI was used by Duos' ITAM auditing teams until early this year and has now been replaced by dcVue. dcVue is based upon the Company's OSPI patent which was awarded in 2010. The Company will be making dcVue available for license to our customers later this year as a licensed software product. We intend to further develop our ITAM offerings for large data centers with the objective of offering existing Company technologies for data and video analytics. The Company implemented a new plan to expand and focus its sales efforts through the addition of strategic partners.

### Prospects and Outlook

Over the past several years, we have made substantial investments in product research and development and achieved significant milestones in the development of our technology and turnkey solutions. We have made significant progress in penetrating the market with our proprietary technology solutions, specifically in the rail industry which is currently undergoing a major shift in maintenance strategies. We believe that this shift will be a significant motivating factor for the industry's use of our technologies.

Our business success in the immediate future will largely depend on the increased penetration into our target markets for our proprietary intelligent analytical technology solutions.

Notwithstanding the above, no assurance can be provided that our product offerings will generate significant orders or continued market acceptance.

### Results of Operation

The following discussion should be read in conjunction with the unaudited financial statements included in this report.

### Comparison for the Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth a modified version of our unaudited Consolidated Statements of Operations that is used in the following discussions of our results of operations:

	For the Three Months Ended	
	June 30,	
	2019	2018
Revenue	\$ 1,345,805	\$ 3,240,056
Cost of revenue	1,171,405	1,982,815
Gross profit	174,400	1,257,241
Operating expenses	2,123,565	1,887,802
Loss from operations	(1,949,165)	(630,561)
Other income (expense)	(626)	(3,802)
Net loss	\$ (1,949,791)	\$ (634,363)

## Revenues

	For the Three Months Ended		
	June 30,		
	2019	2018	% Change
<b>Revenues:</b>			
Projects	\$ 984,991	\$ 2,940,992	-67%
Maintenance and technical support	280,601	252,447	11%
IT asset management services	80,213	46,617	72%
<b>Total revenue</b>	<b>\$ 1,345,805</b>	<b>\$ 3,240,056</b>	<b>-58%</b>

The majority of the decrease in overall revenues is due to execution delays by one customer for customer acceptance in the projects portion of our business currently being undertaken. A further impact is from the delay by one customer to the start of a major project pending resolution of certain terms and conditions in the contract. Although these delays may impact the projects revenue portion of our business for a further quarter, they are not expected to have any material impact for the full year. The Company's stable capital structure enables us to more aggressively pursue large projects requiring the ability to deploy major resources although this can have a short-term impact on Gross Profit (see Cost of Revenues). An additional effect of this is the ongoing investment by the Company in streamlining our project build and delivery process largely as a result of the investment in the establishment of the Engineering and Operations center in 2018 which has shortened delivery times on major projects. The decrease in project revenues was offset by an increase in maintenance and technical support as the result of new maintenance contracts being established as well as renewals of existing contracts and a shift to the next generation of technology systems which are currently being installed. The maintenance and technical support revenues are driven by successful completion on projects and represent services and support for those installations. The Company expects to continue the growth with new, long term recurring revenue from new customers which will be coming on-line in the next several months.

The ITAM division recorded an increase in revenue in the second quarter of 2019. The increase in ITAM revenues is due to the ITAM division release of a new version of its software which is anticipated to broaden market acceptance of its offerings and we anticipate a positive impact on revenues in 2019.

## Cost of Revenues

	For the Three Months Ended		
	June 30,		
	2019	2018	% Change
<b>Cost of revenues:</b>			
Projects	\$ 967,649	\$ 1,846,871	-48%
Maintenance and technical support	156,341	108,193	45%
IT asset management services	47,415	27,751	71%
<b>Total cost of revenues</b>	<b>\$ 1,171,405</b>	<b>\$ 1,982,815</b>	<b>-41%</b>

Cost of revenues on projects decreased in line with the decrease in revenues. The overall gross margin was negatively impacted during the period compared to the equivalent period in 2018 due to a significant increase in personnel in anticipation of increased execution and support requirements for the second half of the year and into 2020. The tighter cost controls on production of systems and the efficiencies gained through the implementation of projects at the Operations and Engineering Center prior to customer deployment continues to have positive effect and this trend is expected to continue as the Company continues its focus on reducing the costs of delivery and streamlining execution for delivery of a much higher number of projects. Cost of Revenues increased on maintenance and technical support as a result of additional investments in staffing to support a much larger number of installations. ITAM costs of revenue were higher but at a slower pace than the increase in revenue.

## Gross Profit

	For the Three Months Ended		
	June 30,		
	2019	2018	% Change
Revenues	\$ 1,345,805	\$ 3,240,056	-58%
Cost of revenues	1,171,405	1,982,815	-41%
<b>Gross profit</b>	<b>\$ 174,400</b>	<b>\$ 1,257,241</b>	<b>-86%</b>

Gross Profit was \$174,400 or 13% of revenues compared to \$1,257,241 or 39% of revenues for the three months ended June 30, 2019 and 2018, respectively. The overall decrease in gross profit of 86% reflects the significant increase in staffing related to project implementation which was not offset in the current quarter due to certain customer delays for project implementation. The requirement for additional staffing is in anticipation of a significantly greater number of projects over the next 18 months. Although, the implementation of ASC 606 covering revenue from contracts with customers, had a temporary impact on overall gross margin during previous reporting periods there was no impact during this quarter. However, there is anticipated to be an impact on Gross Margins in the next quarter in line with new projects starting but not being delivered until later in the year. Although this has had a negative overall effect on the typical project gross margin of at least 50%, management anticipates the overall gross margins for the full year to be close to historical norms.

### Operating Expenses

	For the Three Months Ended		
	June 30,		
	2019	2018	% Change
Operating expenses:			
Selling and marketing expenses	\$ 128,506	\$ 74,403	73%
Salaries, wages and contract labor	1,338,302	1,315,240	2%
Research and development	118,435	143,081	-17%
Professional fees	17,054	59,937	-72%
General and administration	521,268	295,141	77%
Total operating expense	<u>\$ 2,123,565</u>	<u>\$ 1,887,802</u>	12%

Operating expenses were higher by 12% for the equivalent period in 2018 reflecting the increase in resources related to the Company's anticipated growth. Selling and marketing expenses increased in line with the Company's investment in resources to support that growth. There was no measurable increase in salaries, wages and contract labor during the period. Research and development expenses outside of labor costs decreased. Professional fees were also minimal for the period due to the fact that the Company is not engaged in any significant activities related to fundraising or other activities outside the normal course of business. Other general and administrative costs were higher as the result of additional business and non-project related travel.

### Loss From Operations

The loss from operations for the three months ended June 30, 2019 was \$1,949,165 and the loss from operations for the same period in 2018 was \$630,561. The 209% increase in losses from operations are the result of much lower revenues and gross margins for the period together with an increase in operating expenses. The losses are expected to be temporary and be offset for the full year with the anticipated growth in business from new contracts.

### Other Income/Expense

Interest expense for the three months ended June 30, 2019 was \$3,692 versus interest expense of \$4,438 in the equivalent period in 2018. Interest costs continue to be minimal and are offset by earnings from cash on deposit in the amount of \$3,066 at June 30, 2019 versus \$636 in the same period of 2018.

### Net Loss

The net loss for the three months ended June 30, 2019 was \$1,949,791 against a net loss for the same period in 2018 of \$634,363. The \$1,315,428 negative change in net loss is primarily attributable to the decrease in project revenue. Net loss per common share was \$0.08 versus \$0.03 for the three months ended June 30, 2019 and 2018, respectively.

## Comparison for the Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth a modified version of our unaudited Consolidated Statements of Operations that is used in the following discussions of our results of operations:

	For the Six Months Ended	
	June 30,	
	2019	2018
Revenue	\$ 5,697,886	\$ 4,387,985
Cost of revenue	3,392,642	2,654,175
Gross profit	2,305,244	1,733,810
Operating expenses	4,207,960	3,103,873
Loss from operations	(1,902,716)	(1,370,063)
Other income (expense)	(2,906)	(7,404)
Net loss	\$ (1,905,622)	\$ (1,377,467)

### Revenues

	For the Six Months Ended		
	June 30,		
	2019	2018	% Change
Revenues:			
Projects	\$ 4,903,429	\$ 3,785,706	30%
Maintenance and technical support	602,075	509,893	18%
IT asset management services	192,382	92,386	108%
Total revenue	\$ 5,697,886	\$ 4,387,985	30%

The significant increase in overall revenues is driven by the current strength of the projects portion of our business currently being undertaken. The Company's stable capital structure enables us to more aggressively pursue large projects requiring the ability to deploy major resources. An additional effect of this is the ongoing investment by the Company in streamlining our project build and delivery process largely as a result of the investment in the establishment of the Engineering and Operations Center in 2018 which has shortened delivery times on major projects. The significant increase in project revenues was also accompanied by an increase in maintenance and technical support as the result of new maintenance contracts being established as well as renewals of existing contracts and a shift to the next generation of technology systems which are currently being installed. The maintenance and technical support revenues are driven by successful completion on projects and represent services and support for those installations. The Company expects to continue the growth with new, long term recurring revenue from new customers which will be coming on-line in the next several months.

The ITAM division recorded an increase in revenue in the first six months of 2019. The increase in ITAM revenues is due to the ITAM division release of a new version of its software which is anticipated to broaden market acceptance of its offerings and we anticipate a positive impact on revenues in 2019.

### Cost of Revenues

	For the Six Months Ended		
	June 30,		
	2019	2018	% Change
Cost of revenues:			
Projects	\$ 3,060,643	\$ 2,394,670	28%
Maintenance and technical support	261,665	211,516	24%
IT asset management services	70,334	47,989	47%
Total cost of revenues	\$ 3,392,642	\$ 2,654,175	28%

Cost of revenues on projects increased in line with the large increase in revenues but with the overall growth in Costs in Revenues growing at a slower pace than Revenue. The overall gross margin was positively impacted during the period compared to the equivalent period in 2018 due to tighter cost controls on production of systems and the efficiencies gained through the implementation of projects at the Operations and Engineering Center prior to customer deployment. This positive trend is expected to continue as the Company continues its focus on reducing the costs of delivery and streamlining execution. Cost of Revenues increased slightly on maintenance and technical support but at a slower overall rate than the growth in Revenues as a result of the efficiencies previously described. ITAM costs of revenue were only slightly higher compared to a significant increase in revenue as the result of a larger proportion of the revenue from licensing. This effect is expected to continue through the year but with variances in the individual quarters reflective of the balance of license sales to professional services revenues.

### Gross Profit

	For the Six Months Ended		
	June 30,		
	2019	2018	% Change
Revenues	\$ 5,697,886	\$ 4,387,985	30%
Cost of revenues	3,392,642	2,654,175	28%
Gross profit	\$ 2,305,244	\$ 1,733,810	33%

Gross Profit was \$2,305,244 or 40% of revenues compared to \$1,733,810 or 40% of revenues for the six months ended June 30, 2019 and 2018, respectively. The Gross Margin has remained stable for the period and broadly comparable with the same period one year ago. As previously discussed, the implementation of ASC 606 covering revenue from contracts with customers, can have a temporary impact on overall gross margin during previous reporting periods as certain costs are recognized ahead of revenues. The effects of this are typically within a quarter and over the project cycle there is expected to be no material impact. As previously stated, management anticipates the overall gross margins for the business to be close to historical norms for the 2019 period even though the current period is below that target due to an increase in resources related to anticipated project revenues from new projects that are expected to begin in the second half of this year.

### Operating Expenses

	For the Six Months Ended		
	June 30,		
	2019	2018	% Change
Operating expenses:			
Selling and marketing expenses	\$ 238,122	\$ 115,624	106%
Salaries, wages and contract labor	2,607,081	2,081,111	25%
Research and development	231,129	278,361	-17%
Professional fees	144,973	123,801	17%
General and administration	986,655	504,976	95%
Total operating expense	\$ 4,207,960	\$ 3,103,873	36%

Operating expenses were higher by 36% for the equivalent period in 2018 reflecting the increase in resources related to the significant increase in revenues for the period. Selling and marketing expenses increased in line with the Company's investment in resources to grow the business. The 25% increase in salaries, wages and contract labor is higher during the period due to an increase number of employees and additional contract expenses related to an overall significant increase in revenues. Research and development decrease were minimal for the period. Professional fees were higher due to an increase in expenses related to legal fees with certain onetime expenses for the recent warrant execution. Other G&A costs were in line with the additional staff expenses and the growth of the Company. It is anticipated that operating expenses will continue to grow at a slower rate than the revenue increases.

### Loss From Operations

The loss from operations for the six months ended June 30, 2019 was \$1,902,716 and the loss from operations for the same period in 2018 was \$1,370,063. The 39% increase in loss from operations was mostly due to the overall increase in general and administrative costs along with the increase in costs in selling and marketing expense for the period.

### Interest Expense

Interest expense for the six months ended June 30, 2019 was \$6,313 and the interest expense for same period in 2018 was \$10,166. This is due to generally higher amounts of available cash that generate interest income.

### Other Income

Other income for the six months ended June 30, 2019 and 2018 was \$3,407 and \$2,762, respectively. The increase in other income is due to a higher balance in the money market banking account for the first six-month period in 2019.

### Net Loss

The net loss for the six months ended June 30, 2019 and 2018 was \$1,905,622 and \$1,377,467, respectively. The increase in net loss is mostly attributed to an increase in operating expenses in 2019 compared to the same period in 2018. Net loss per common share was \$0.08 and \$0.07 for the six months ended June 30, 2019 and 2018, respectively.

### Liquidity and Capital Resources

As of June 30, 2019, the Company has a negative working capital of \$543,920. We generated a net loss of \$1,905,622 for the six months ended June 30, 2019.

### Cash Flows

The following table sets forth the major components of our statements of cash flows data for the periods presented:

	June 30, 2019	June 30, 2018
Net cash (used) provided in operating activities	\$ (2,711,334)	\$ 195,745
Net cash (used) in investing activities	(226,549)	(195,814)
Net cash provided (used) in financing activities	2,009,266	(188,153)
Net decrease in cash	<u>\$ (928,617)</u>	<u>\$ (188,222)</u>

Net cash used in operating activities for the six months ended June 30, 2019 was \$2,711,334 and net cash provided during the same period of 2018 was \$195,745. The decrease in net cash used in operations for the six months ended June 30, 2019 even with improved operating results was the result of higher costs related to current and future project execution in anticipation of new projects. In addition, there are a number of changes in assets and liabilities compared to the previous period that added to the use of cash in operations. Notable changes were a large decrease in account payable and contract liabilities. In addition, cash is being used to further development activities within the TrueVue360 subsidiary where there are no current offsetting revenues during this period.

Net cash used in investing activities for the six months ended June 30, 2019 and 2018 were \$226,549 and \$195,814, respectively representing an increase in investments in software development and lab equipment during the six months of 2019.

Net cash provided in financing activities for the six months ended June 30, 2019 was \$2,009,266 and cash flows used in the same period 2018 was \$188,153. Cash flows provided in financing activities during the six-month period in 2019 were primarily attributable to warrants exercised by four shareholders. Cash flows used by financing activities during 2018 were primarily attributable to repayments of existing notes and short-term credit facilities.

Previously, we have funded our operations primarily through the sale of our equity (or equity linked) and debt securities. During 2019, we have funded our operations through revenues generated and cash received from ongoing project execution and associated maintenance revenues. As of August 12, 2019, we had cash on hand of approximately \$255,000. We have approximately \$135,000 in monthly lease and other mandatory payments, not including payroll and ordinary expenses which are due monthly.

On a long-term basis, our liquidity is dependent on continuation and expansion of operations and receipt of revenues. Our current capital and revenues are sufficient to fund such expansion although we are dependent on timely payments by our customers for projects and work in process.

Demand for the products and services will be dependent on, among other things, continuing market acceptance of our products and services, the technology market in general, and general economic conditions, which are cyclical in nature. In as much as a major portion of our activities is the receipt of revenues from the sales of our products and services, our business operations may be adversely affected by our competitors and prolonged recession periods although these are not considered to be a factor at present.

### **Liquidity**

Under Accounting Standards Update, or ASU, 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed the Company’s ability to continue as a going concern in accordance with the requirement of ASC 205-40.

After the 2017 raise, management eliminated all debt other than for normal course of business financing which reduced monthly obligations for interest payments, secured sufficient working capital for ongoing operations. The Company was also successful in closing business and establishing a backlog such that we were breakeven or profitable in two of the last four quarters including the current quarter. Most importantly, the Company has been successful in increasing its working capital cushion with \$1,650,000 in warrant executions during the first quarter of 2019 and has secured another \$514,020 in further warrant conversions in the current quarter.

Management now believes that these actions have alleviated the substantial doubt for the Company to continue as a going concern and will continue to grow its business and achieve profitability without the requirement to raise additional capital for existing operations. The Company expects that with the current financial plan, further warrant executions can be expected and in conjunction with this, a number of existing shareholders have requested the opportunity to invest further money to build shareholder equity by a further \$3.5 million. Management will continue to evaluate these plans in future filings.

### **Off Balance Sheet Arrangements**

We have no-off balance sheet contractual arrangements, as that term is defined in Item 303(a)(4) of Regulation S-K.

### **Critical Accounting Policies and Estimates**

We have identified the accounting policies below as critical to our business operations and the understanding of our results of operations.

#### **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. The Company reviews its accounts to estimate losses resulting from the inability of its customers to make required payments. Any required allowance is based on specific analysis of past due accounts and also considers historical trends of write-offs. Past due status is based on how recently payments have been received from customers.

#### **Share-Based Compensation**

The Company accounts for employee stock-based compensation in accordance with ASC 718-10, “*Share-Based Payment*,” which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options, restricted stock units, and employee stock purchases based on estimated fair values.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718). This update is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to non-employees (for example, service providers, external legal counsel, suppliers, etc.). The ASU expands the scope of Topic 718, Compensation—Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to non-employees for goods and services. Consequently, the accounting for share-based payments to non-employees and employees will be substantially aligned. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. Management implemented on January 1, 2019.

#### **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 unaudited consolidated financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of assets acquired and liabilities assumed in business combinations, valuation of intangible and other long-lived assets, estimates of net contract revenues and the total estimated costs to determine progress towards contract completion, valuation of derivatives, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, valuation of stock-based awards 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.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this item.

#### **Item 4. Controls and Procedures.**

##### *Evaluation of Disclosure Controls and Procedures*

With the participation of our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Report. Based upon such evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC’s rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

##### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the second quarter ended June 30, 2019 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

### Item 1A. Risk Factors.

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the U.S Securities and Exchange Commission on April 15, 2019.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company issued 934,581 shares of common stock upon acceptance of warrant exercises in the second quarter of 2019 from three shareholders for further proceeds to the Company of \$514,020.

Also, during the second quarter of 2019, the Company issued 138,292 shares of common stock upon the cashless exercise of 651,982 common stock warrants.

The above securities were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act. These securities qualified for exemption under Section 4(a)(2) since the issuance by us did not involve a public offering. The offerings were not "public offerings" as defined in 4(a)(2) due to the insubstantial number of persons involved in the transactions, manner of the issuance and number of securities issued. We did not undertake an offering in which we sold a high number of securities to a high number of investors. In addition, the investors had the necessary investment intent as required by Section 4(a)(2) since they agreed to and received securities bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering". Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act for these transactions.

### Item 3. Defaults Upon Senior Securities.

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

### Item 4. Mine Safety Disclosures.

Not applicable

### Item 5. Other Information.

There is no other information required to be disclosed under this item which was not previously disclosed.

**Item 6. Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
<a href="#"><u>31.1</u></a> *	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
<a href="#"><u>31.2</u></a> *	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
<a href="#"><u>32.1</u></a> **	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<a href="#"><u>32.2</u></a> **	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith

\*\* Furnished herewith

**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, there unto duly authorized.

Date: August 14, 2019

**DUOS TECHNOLOGIES GROUP, INC.**

By: /s/ Gianni B. Arcaini  
Gianni B. Arcaini  
Chairman and Chief Executive Officer

Date: August 14, 2019

By: /s/ Adrian G. Goldfarb  
Adrian G. Goldfarb  
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Gianni B. Arcaini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Duos Technologies Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 14, 2019

By: /s/ Gianni B. Arcaini  
Gianni B. Arcaini  
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Adrian G. Goldfarb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Duos Technologies Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 14, 2019

By: /s/ Adrian G. Goldfarb  
Adrian G. Goldfarb  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Duos Technologies Group, Inc. (the "Company"), on Form 10-Q for the period ended June 30, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Gianni B. Arcaini, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the period ended June 30, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Quarterly Report on Form 10-Q for the period ended June 30, 2019, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2019

By: /s/ Gianni B. Arcaini

Gianni B. Arcaini  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Duos Technologies Group, Inc. (the "Company"), on Form 10-Q for the period ended June 30, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Adrian G. Goldfarb, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the period ended June 30, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Quarterly Report on Form 10-Q for the period ended June 30, 2019, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2019

By: /s/ Adrian G. Goldfarb

Adrian G. Goldfarb  
Chief Financial Officer