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, 2020

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	**65-0493217**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

6622 Southpoint Drive South, Suite 310,
Jacksonville, Florida, 32216
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	**DUOT**	**The Nasdaq Capital Market**

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 11, 2020, Duos Technologies Group, Inc. had outstanding 3,526,146 shares of common stock, par value $0.001 per share.

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PART I – FINANCIAL INFORMATION

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,374,786	$ 56,249
Accounts receivable, net	496,807	2,611,608
Contract assets	845,810	1,375,920
Prepaid expenses and other current assets	698,158	716,598
Total Current Assets	7,415,561	4,760,375
Property and equipment, net	346,979	260,181
Operating lease right of use asset	316,726	430,146
OTHER ASSETS:		
Software Development Costs, net	10,000	20,000
Patents and trademarks, net	66,649	61,598
Total Other Assets	76,649	81,598
TOTAL ASSETS	$ 8,155,915	$ 5,532,300

(Continued)

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	June 30, 2020 (Unaudited)	December 31, 2019
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 632,043	$ 2,641,437
Accounts payable - related parties	12,491	12,791
Notes payable - financing agreements	175,796	42,299
Notes payable - related parties, net of discounts	—	905,373
Line of credit	—	27,615
Payroll taxes payable	10,730	115,111
Accrued expenses	130,798	393,272
Current portion - financing lease agreements	84,635	45,072
Current portion-operating lease obligations	252,907	239,688
Current portion-SBA loan	627,465	—
Contract liabilities	3,283	8,661
Deferred revenue	493,830	936,428
Total Current Liabilities	2,423,978	5,367,747
Finance lease payable	149,314	89,026
Operating lease obligations	74,713	202,797
SBA loan	782,805	—
Total Liabilities	3,430,810	5,659,570
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
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, 2020 and December 31, 2019, 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; 1,705 and 1,705 issued and outstanding at June 30, 2020 and December 31, 2019, convertible into common stock at $7 per share	1,705,000	1,705,000
Common stock: $0.001 par value; 500,000,000 shares authorized, 3,527,470 and 1,982,039 shares issued, 3,526,146 and 1,980,715 shares outstanding at June 30, 2020 and December 31, 2019, respectively	3,528	1,982
Additional paid-in capital	39,527,682	31,063,915
Total stock & paid-in-capital	41,236,210	32,770,897
Accumulated deficit	(36,353,653)	(32,740,715)
Sub-total	4,882,557	30,182
Less: Treasury stock (1,324 shares of common stock at June 30, 2020 and December 31, 2019)	(157,452)	(157,452)
Total Stockholders' Equity (Deficit)	4,725,105	(127,270)
Total Liabilities and Stockholders' Equity (Deficit)	$ 8,155,915	$ 5,532,300

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES:				
Technology systems	$ 1,419,409	$ 984,991	$ 1,933,083	$ 4,903,429
Technical support	382,124	280,601	727,311	602,075
Consulting services	2,385	80,213	134,469	192,382
AI technologies	178,224	—	178,224	—
Total Revenues	1,982,142	1,345,805	2,973,087	5,697,886
COST OF REVENUES:				
Technology systems	897,514	967,649	1,479,058	3,060,643
Technical support	234,754	156,341	469,030	261,665
Consulting services	—	47,415	72,260	70,334
AI technologies	110,499	—	110,499	—
Total Cost of Revenues	1,242,767	1,171,405	2,130,847	3,392,642
GROSS PROFIT	739,375	174,400	842,240	2,305,244
OPERATING EXPENSES:				
Research and development	149,566	487,738	555,958	871,160
Engineering	352,970	289,986	665,406	624,549
Sales & marketing	122,473	270,196	262,325	520,620
Administration	1,023,947	872,972	2,039,498	1,807,645
AI technologies	517,475	202,673	834,024	383,986
Total Operating Expenses	2,166,431	2,123,565	4,357,211	4,207,960
LOSS FROM OPERATIONS	(1,427,056)	(1,949,165)	(3,514,971)	(1,902,716)
OTHER INCOME (EXPENSES):				
Interest Expense	(58,243)	(3,692)	(127,175)	(6,313)
Other income, net	19,410	3,066	29,208	3,407
Total Other Income (Expense)	(38,833)	(626)	(97,967)	(2,906)
NET LOSS	(1,465,889)	(1,949,791)	(3,612,938)	(1,905,622)
Basic & Diluted Net Loss Per Share	$ (0.42)	$ (1.09)	$ (1.16)	$ (1.14)
Weighted Average Shares-Basic & Diluted	3,526,382	1,788,659	3,106,660	1,665,439

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Three Months and Six Months ended June 30, 2020 and 2019
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2019	1,705	$ 1,705,000	1,982,039	$ 1,982	$ 31,063,915	$ (32,740,715)	$ (157,452)	$ (127,270)
Common stock issued	—	—	1,542,188	1,542	9,251,586	—	—	9,253,128
Stock options granted to employees	—	—	—	—	8,100	—	—	8,100
Stock issuance costs	—	—	—	—	(1,001,885)	—	—	(1,001,885)
Common stock issued for services	—	—	1,611	2	7,498	—	—	7,500
Net loss for the three months ended March 31, 2020	—	—	—	—	—	(2,147,049)	—	(2,147,049)
Balance March 31, 2020	1,705	1,705,000	3,525,838	3,526	39,329,214	(34,887,764)	(157,452)	5,992,524
Modification of employee stock options	—	—	—	—	102,800	—	—	102,800
Stock options granted to employees	—	—	—	—	88,170	—	—	88,170
Common stock issued for services	—	—	1,632	2	7,498	—	—	7,500
Net loss for the three months ended June 30, 2020	—	—	—	—	—	(1,465,889)	—	(1,465,889)
Balance June 30, 2020	1,705	$ 1,705,000	3,527,470	$ 3,528	$ 39,527,682	$ (36,353,653)	$ (157,452)	$ 4,725,105

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)
For the Three Months and Six Months ended June 30, 2020 and 2019
(Unaudited)

	Preferred Stock		Common Stock		Additional	Accumulated	Treasury	
	# of Shares	Amount	# of Shares	Amount	Paid-in-Capital	Deficit	Stock	Total
Balance December 31, 2018	2,830	$ 2,830,000	1,505,883	$ 1,505	$ 27,416,802	$ (30,269,833)	$ (149,459)	$ (170,985)
Commons stock issued for warrants exercised	—	—	214,286	214	1,649,786	—	—	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	1,720,169	1,719	29,088,480	(30,225,664)	(149,459)	1,545,076
Commons stock issued for warrants exercised	—	—	76,634	77	513,943	—	—	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	1,796,803	$ 1,796	$ 29,598,664	$ (32,175,455)	$ (150,610)	$ 104,395

See accompanying condensed 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, 2020	2019
Cash from operating activities:		
Net loss	$ (3,612,938)	$ (1,905,622)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	97,353	87,325
Stock based compensation	96,270	28,133
Modification of employee stock options	102,800	—
Interest expense related to debt discounts	94,627	—
Changes in assets and liabilities:		
Accounts receivable	2,114,802	(302,986)
Contract assets	530,110	904,543
Prepaid expenses and other current assets	235,194	86,411
Operating lease right of use asset	113,419	(565,925)
Accounts payable	(2,009,394)	(519,468)
Related payable-related party	(300)	—
Payroll taxes payable	(104,381)	(196,609)
Accrued expenses	(247,474)	15,671
Operating lease obligation	(114,865)	592,402
Contract liabilities	(5,378)	(1,170,197)
Deferred revenue	(442,598)	234,988
Net cash used in operating activities	(3,152,753)	(2,711,334)
Cash flows from investing activities:		
Purchase of patents/trademarks	(7,735)	(3,000)
Purchase of fixed assets	(171,467)	(223,549)
Net cash used in investing activities	(179,202)	(226,549)
Cash flows from financing activities:		
Repurchase of common stock	—	(1,151)
Repayments of line of credit	(27,615)	(2,497)
Issuance cost	(1,001,885)	(10,000)
Repayments of notes payable	(1,000,000)	—
Repayments of insurance and equipment financing	(83,257)	(141,105)
Repayment of finance lease	(21,786)	—
Proceeds from SBA loan	1,410,270	—
Proceeds from equipment leasing	121,637	—
Proceeds from common stock issued	9,253,128	—
Proceeds from warrants exercised	—	2,164,019
Net cash provided by financing activities	8,650,492	2,009,266
Net increase (decrease) in cash	5,318,537	(928,617)
Cash, beginning of period	56,249	1,209,301
Cash, end of period	5,374,786	280,684
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 29,830	$ 4,109
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ 15,000	$ —
Lease right of use asset and liability	$ 644,245	—
Note issued for financing of insurance premiums	$ 216,754	$ 217,804

See accompanying condensed notes to the unaudited consolidated financial statements.

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 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, 2020 are not indicative of the results that may be expected for the year ending December 31, 2020 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, 2019 filed with the Securities and Exchange Commission (the "SEC") on March 30, 2020.

Reverse Stock-Split

All share and per share amounts have been presented to give retroactive effect to a 1 for 14 reverse stock-split that occurred in January 2020.

Reclassifications

The Company reclassified certain operating expenses for the three and six months ended June 20, 2019 to conform to 2020 classification. There was no net effect on the total operating expenses of such reclassification.

The following table reflects the reclassification adjustment effect in the three and six months ended June 30, 2019:

	Before Reclassification For the Three Months Ended June 30, 2019			After Reclassification For the Three Months Ended June 30, 2019	
OPERATING EXPENSES:					
Selling and marketing expenses	$	128,506	Sales and marketing	$	270,196
Salaries, wages and contract labor		1,338,302	Engineering		289,986
Research and development		118,435	Research and development		487,738
Professional fees		17,054	AI technologies		202,673
General and administrative expenses		521,268	Administration		872,972
Total Operating Expenses	$	2,123,565		$	2,123,565

	Before Reclassification For the Six Months Ended June 30, 2019			After Reclassification For the Six Months Ended June 30, 2019	
OPERATING EXPENSES:					
Selling and marketing expenses	$	238,122	Sales and marketing	$	520,620
Salaries, wages and contract labor		2,607,081	Engineering		624,549
Research and development		231,129	Research and development		871,160
Professional fees		144,973	AI technologies		383,986
General and administrative expenses		986,655	Administration		1,807,645
Total Operating Expenses	$	4,207,960		$	4,207,960

Principles of Consolidation

The unaudited consolidated financial statements include duostech Group and its wholly owned subsidiaries, Duos Technologies, Inc. and TrueVue360, Inc. All inter-company transactions and balances are eliminated in consolidation.

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 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, estimates of the valuation of right of use assets and corresponding lease liabilities 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. As of June 30, 2020, balance in one financial institution exceeded federally insured limits by approximately $4,952,107.

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, 2020, three customers accounted for 45%, 15% and 12% of revenues. For the six months ended June 30, 2019, two customers accounted for 69% and 12% of revenues.

At June 30, 2020, four customers accounted for 41%, 32%, 10% and 10% of accounts receivable. At December 31, 2019,two customers accounted for 68% and 10% of accounts receivable.

Geographic Concentration

Approximately 29% of revenue is generated from three 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).

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, 2020, there was an aggregate of 1,588,750 outstanding warrants to purchase shares of common stock. At June 30, 2020, there was an aggregate of 311,898 shares of employee stock options to purchase shares of common stock. Also, at June 30, 2020, 243,571 common shares were issuable upon conversion of Series B convertible preferred stock, all of which were excluded from the computation of dilutive 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 are satisfied.

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. (see Note 9)

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.

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").

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 $3,612,938 for the six months ended June 30, 2020. During the same period, net cash used in operating activities was $3,152,753 The working capital surplus and accumulated deficit as of June 30, 2020 were $4,991,582 and $36,353,653 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 an underwritten offering which was completed during the first quarter of 2020 (the "2020 Offering").

Upon completion of the 2020 Offering, management raised sufficient working capital to meet its needs for the next 12-months without the need to raise further capital. Since the advent of the Covid-19 pandemic, the Company has experienced a significant slowdown in closing new projects due to cautious actions by current and potential clients. We continue to be successful in identifying new business opportunities and are focused on re-establishing a backlog of projects. Most importantly, the Company's success in increasing its working capital surplus after receiving proceeds from the 2020 Offering of more than $8.1 million has given us the runway required to maintain our business strategy overall. Management has been and continues to take actions including, but not limited to, elimination of certain costs that did not contribute to short term revenue, re-aligning management with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term.

Management believes that we have eliminated 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. In the long run, 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. Although the current global pandemic related to the Novel Coronavirus (Covid-19) has affected our operations, and we do believe this is expected to be a long-term issue, the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on the business in the coming quarters. We have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand to maintain operations for at least 12 months from the date of this report.

NOTE 3 – SOFTWARE DEVELOPMENT COSTS

In 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, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Software Development Costs	$ 60,000	$ 60,000
Less: Accumulated amortization	(50,000)	(40,000)
Total	$ 10,000	$ 20,000

Amortization expense of software development costs for the six months ended June 30, 2020 and 2019, was $10,000 and $10,000, respectively.

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:

	June 30, 2020		December 31, 2019	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Third Party - Insurance Note 1	$ 8,662	7.31%	$ 28,500	7.31%
Third Party - Insurance Note 2	41,282	5.26%	—	6.36%
Third Party - Insurance Note 3	1,656	—%	13,799	—
Third Party - Insurance Note 4	124,196	—	—	6.36%
Total	$ 175,796		$ 42,299	

The Company entered into an agreement on December 23, 2019 with its insurance provider by issuing a $28,500 note payable (Insurance Note 1) for the purchase of an insurance policy, secured by that policy with an annual interest rate of 7.31% payable in monthly installments of principal and interest totaling $2,218 through October 23, 2020. The balance of Insurance Note 1 as of June 30, 2020 and December 31, 2019 was $8,662 and $28,500, respectively.

The Company entered into an agreement on April 15, 2019 in the amount of $51,940 with an annual interest rate of 6.36% payable (Insurance Note 2) with monthly installments of principal and interest totaling $5,326 through December 15, 2019 and the Company renewed the policy on April 15, 2020 in the amount of $51,379 with an annual interest rate of 5.26% payable in monthly installments of principal and interest totaling $5,263 through December 15, 2020. At June 30, 2020 and December 31, 2019, the balance of Insurance Note 2 was $41,282 and zero, respectively.

The Company entered into an agreement on September 15, 2019 in the amount of $13,799 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy, secured by 5 installment payments. At June 30, 2020 and December 31, 2019, the balance of Insurance Note 3 was $1,656 and $13,799, respectively.

The Company entered into an agreement 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 (Insurance Note 4) through December 3, 2019. The policy renewed on February 3, 2020 in the amount of $165,375 with seven monthly installments of $13,726. At June 30, 2020 and December 31, 2019, the balance of Insurance Note 4 was $124,196 and zero, respectively.

Finance Lease

The Company entered into an agreement on August 26, 2019 with an equipment leasing provider by issuing a $147,810 equipment finance lease payable, secured by a note, with an annual interest rate of 12.72% payable in monthly installments of principal and interest totaling $4,963 through August 1, 2022. The Company entered into an additional agreement on May 22, 2020 with same equipment leasing provider by issuing a $121,637 equipment finance lease payable, secured by a note, with an annual interest rate of 9.90% payable in monthly installments of principal and interest totaling $3,919 through June 1, 2023. At June 30, 2020 and December 31, 2019, the balance of the notes was $233,949 and zero, respectively.

At June 30, 2020, future minimum lease payments due under Finance Lease is as follows:

As of December 31,	Amount
2020	$ 53,331
2021	106,588
2022	86,735
2023	23,515
Total minimum financial lease payments	$ 270,169
Less: interest	(36,220)
Total lease liability at June 30, 2020	$ 233,949
Less: current portion of Finance Lease	(84,635)
Long Term portion of Finance Lease	$ 149,314

Notes Payable – Related Parties

	June 30, 2020		December 31, 2019	
Payable To	Principal	Interest	Principal	Interest
Related party	$ —	3%	$ 267,000	3%
Related party	—	3%	733,000	3%
Total	—		1,000,000	
Less unamortized discounts	—		(94,627)	
Total, net	$ —		$ 905,373	

The Company entered into an agreement with a related party on September 25, 2019 whereby the related party loaned the Company the aggregate principal amount of $267,000, pursuant to a note, repayable on June 25, 2020. The note carries an annual interest rate of 3%. In addition, the Company issued warrants permitting the related party to purchase for cash 11,920 shares of the Company’s common stock at a price of $7.70 per share. On June 22, 2020 the Company repaid this short-term note in the amount of $267,000. The balance of this note as of June 30, 2020 was zero.

The Company entered into an agreement with a related party on September 25, 2019 whereby the related party loaned the Company the principal aggregate in the amount of $733,000, pursuant to a note, repayable on June 25, 2020. The note carries an annual interest rate of 3% per annum. In addition, the Company issued warrants permitting the related party to purchase for cash 32,724 shares of the Company's common stock at a price of $7.70 per share. On June 22, 2020 the Company repaid this short-term note in the amount of $733,000. The balance of this note as of June 30, 2020 was zero.

The Company determined the relative fair value between the notes and the warrants on the issue date utilizing the Bi-nominal Lattice Pricing Model for the warrants. As a result, the Company allocated $146,779 to the warrants and was recorded as a debt discount with an offset to additional paid in capital in the accompanying unaudited consolidated financial statements. The fair value pricing model used the following assumptions; stock price $7.00, warrant exercise price $7.70, expected term of 5 years, expected volatility of 86% and discount rate of 1.609%.

For the six months ended June 30, 2020, the Company recorded $94,627 for amortization of the debt discount discussed above to interest expense in the accompanying unaudited consolidated financial statements.

Notes Payable

The Company entered into an agreement on August 12, 2019 with a shareholder by executing a short-term $262,500 note repayable on November 11, 2019. This note was issued with a 5% original issue discount and the Company received a net amount of $250,000. No other consideration was given. On November 12, 2019, the Company repaid this short-term note in the amount of $262,500. The original issue discount of $12,500 was fully amortized in 2019.

Notes Payable – SBA Loan

	June 30, 2020		December 31, 2019	
Payable To	**Principal**	**Interest**	**Principal**	**Interest***
SBA loan	$ 1,410,270	1%	$ —	
Total	1,410,270		—	
Less current portion	(627,465)		—	
Long term portion	$ 782,805		$ —	

On April 23, 2020, the Company entered into a promissory note (the "Note") with BBVA USA, which provides for a loan in the amount of $1,410,270 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan has a two-year term and bears interest at a rate of 1.00% per annum (APR 1.014%). Monthly principal and interest payments are deferred for six months after the date of disbursement. The Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Company will apply for the PPP loan forgiveness as soon as the application is available.

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, 2020 and December 31, 2019, was zero and $27,615, respectively, including accrued interest. This line of credit has been paid in full as of May 5, 2020.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Delinquent Payroll Taxes Payable

As of the date hereof, the Company has paid its delinquent payroll taxes and late fees in full. At June 30, 2020 and December 31, 2019, the payroll taxes payable balance of $10,730 and $115,111 includes accrued late fees in the amount of zero and $37,210, respectively.

Operating Lease Obligations

The Company has an operating lease agreement for office space of approximately 8,308 square feet that was amended on May 1, 2016 and again on April 1, 2019, increasing the office space to approximately 10,203 square feet, with the lease ending 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 combination space of approximately 4,400 square feet on June 1, 2018 and ending May 31, 2021. This additional space allows for resource growth and engineering efforts for operations before deploying to the field. The rent is subject to an annual escalation of 3%.

The Company now has a total of office and warehouse space of approximately 14,603 square feet.

At June 30, 2020, future minimum lease payments due under Operating Leases are as follows:

As of December 31,		Amount
2020	$	141,396
2021		213,568
Total minimum financial lease payments	$	354,964
Less: interest		(27,344)
Total lease liability at June 30, 2020	$	327,620
Less: current portion of Operating lease obligations		(252,907)
Long Term portion of Operating lease obligations	$	74,713

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 $644,245. The right of use asset balance at June 30, 2020 was $316,726, the operating lease liability – current portion was $252,907 and the operating lease liability – long term portion was $74,713. 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 unaudited consolidated statement of operations or our unaudited 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 unaudited consolidated statements of operations.

NOTE 7 – STOCKHOLDERS’ EQUITY

Common stock issued

On February 12, 2020, Duos Technologies Group, Inc., a Florida corporation (the “Company”) entered into an underwriting agreement (the “Underwriting Agreement”) with ThinkEquity, a division of Fordham Financial Management, Inc. (“ThinkEquity”), as representative of the underwriters listed therein (the “Underwriters”), pursuant to which the Company agreed to sell to the Underwriters in a firm commitment underwritten public offering (the “Offering”) an aggregate of 1,350,000 shares of the Company’s common stock, par value $0.001 per share (the “Common Stock”), at a public offering price of $6.00 per share. In addition, the Underwriters were granted an over-allotment option (the “Over-allotment Option”) for a period of 45 days to purchase up to an additional 202,500 shares of Common Stock. The Offering closed on February 18, 2020. The Common Stock began trading on the Nasdaq Capital Market under the symbol DUOT on February 13, 2020.

On February 20, 2020, pursuant to and in compliance with the terms and conditions of the aforementioned Underwriting Agreement and the Offering, the Underwriters provided notice that they would partially exercise the Over-allotment Option to purchase 192,188 shares of Common Stock at $6.00 per share (the “Over-Allotment Exercise”). The sale of the Over-Allotment Exercise to purchase 192,188 shares of Common Stock closed on February 21, 2020.

In total, the Company issued 1,542,188 shares of common stock in connection with these underwritten public offerings and up listing to the Nasdaq Capital Market national exchange. The securities were issued pursuant to a Registration Statement on Form S-1 (File No. 333- 235455), as amended, which was declared effective by the United States Securities and Exchange Commission on February 12, 2020 (the "Registration Statement"). The Company received gross proceeds of approximately $9.25 million for the Offering to date, including the exercise of the Over-Allotment Exercise, prior to deducting underwriting discounts and commissions and offering expenses payable by the Company.

Stock-Based Compensation

Stock-based compensation expense recognized under ASC 718-10 for the six months ended June 30, 2020 and 2019, was $199,070 and $28,133, respectively, 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, 2020, the total compensation cost for stock options not yet recognized was $282,142. This cost will be recognized over the remaining vesting term of the options of approximately one year.

Employee Stock Options

A maximum of 178,572 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 maximum number of shares was increased by shareholder approval to 321,429. 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.

During the quarter, the Company's Board of Directors granted 310,290 new stock options with strike prices ranging from $4.74 to $6.00 per share to Employees, Officers and Directors. 161,402 existing options were cancelled due to modifications to the exercise price and term. As of June 30, 2020, and December 31, 2019, options to purchase 311,898 shares of common stock and 163,010 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, 2020 and 2019.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	160,143	$ 14.00	4.4	—
Granted	8,572	$ 14.00	5.0	—
Forfeited	(14,286)	$ 14.00	—	—
Outstanding at June 30, 2019	154,429	$ 14.00	3.4	—
Exercisable at June 30, 2019	145,857	$ 14.00	3.4	—
Outstanding at December 31, 2019	163,010	$ 14.00	3.4	—
Granted	310,290	$ 5.39	4.8	—
Cancelled/forfeited	(161,402)	$ 14.00	—	—
Outstanding at June 30, 2020	311,898	$ 5.46	4.7	—
Exercisable at June 30, 2020	162,474	$ 6.08	4.7	—

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 8,572 stock options exercisable at $14.00 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 14,286 stock options previously granted. On August 15, 2019, the Board of Directors appointed a new independent director and Chairman of the Audit Committee. As a result of the appointment, the new director was granted 8,572 stock options exercisable at $14.00 per share vesting one year from the date of grant.

On April 1, 2020 the Board of Directors cancelled 161,402 options previously granted to existing employees and granted 310,290 options, of which 160,866 were replaced with new options carrying a $6.00 exercise price, 536 options were forfeited and a further 149,424 options were issued to existing employees, officers and directors carrying a $4.74 strike price with a vesting period ranging from 9 months to 21 months. The new stock options issued have a fair value of $370,312, with stock option compensation expense this quarter in the amount of $88,170 and a balance of unamortized stock option compensation expense of $282,142, that will be expensed over the next 1.75 years. The options that were cancelled and replaced were accounted for by valuing the original options on the day before they were cancelled and valuing the new options on the day of issuance. The inputs used were a stock price of $4.74 on the day of cancellation and $4.70 on the day of issuance, expected term of 2.5 years, expected volatility of 81%, no anticipated dividend and a dividend rate of $0.255%. The difference between the valuations were recorded as one-time option expense given that options cancelled were already vested and the replacement options were immediately vested. The one-time expense for this cancellation and issuance was $102,800. The strike price of the cancelled options was $14.00.

Warrants

The following is a summary of activity for warrants to purchase common stock for the six months ended June 30, 2020:

	Number of Warrants		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	1,815,182	$	9.52	3.9	—
Warrants expired, forfeited, cancelled or exercised	(327,612)				
Outstanding at June 30, 2019	1,487,570	$	8.78	2.8	—
Exercisable at June 30, 2019	1,487,570	$	8.78	2.8	—
Outstanding at December 31, 2019	1,521,250	$	8.78	3.0	—
Warrants expired, forfeited, cancelled or exercised	—				
Warrants issued	67,500	$	9.00	2.6	—
Outstanding at June 30, 2020	1,588,750	$	8.79	4.8	—
Exercisable at June 30, 2020	1,521,250	$	8.41	2.7	—

Warrants issued were for the underwriters of the registered direct offering completed in the first quarter of 2020. They carry a strike price of $9.00 representing 150% of the offering price of $6.00 per share and vest 6 months after completion of the offering.

NOTE 8 - REVENUE

Revenue Recognition and Contract Accounting

The Company generates revenue from four sources: (1) Technology Systems; (2) Technical Support; (3) Consulting Services and (4) AI Technology.

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on technology systems 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.

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.

At June 30, 2020 and December 31, 2019, contract assets on uncompleted contracts consisted of the following:

	June 30, 2020	December 31. 2019
Costs and estimated earnings recognized	$ 3,663,654	$ 3,700,124
Less: Billings or cash received	(2,817,844)	(2,324,204)
Contract assets	$ 845,810	$ 1,375,920

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, 2020 and December 31, 2019, contract liabilities on uncompleted contracts consisted of the following:

	June 30, 2020	December 31. 2019
Billings and/or cash receipts on uncompleted contracts	$ 3,283	$ 35,665
Less: Costs and estimated earnings recognized	(—)	(27,004)
Contract liabilities	$ 3,283	$ 8,661

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.

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.

Consulting Services

The Company's consulting services 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).

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.

Artificial Intelligence

The Company has begun to derive revenue from applications that incorporate artificial intelligence (AI) in the form of predetermined algorithms to provide important operating information to the users of our systems. The revenue generated from these applications of AI consists of an annual application maintenance fee which will be recognized ratably over the year, plus fees for the design, development, testing and incorporation of new algorithms into the system which will be recognized upon completion of each deliverable.

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 consulting services 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 four distinct revenue sources:
    a. Turnkey, engineered projects;
    b. Associated maintenance and support services;
    c. Licensing and professional services related to auditing of data center assets:
    d. Predetermined algorithms to provide important operating information to the users of our systems.
2. We currently operate in North America including the USA, Mexico and Canada.
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 two to three 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:

Segments	For the Three Months Ended June 30, 2020							
	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Artificial Intelligence	Total
Primary Geographical Markets								
North America	$ 1,631,891	$ 52,552	$ —	$ 20,221	$ 96,869	$ 2,385	$ 178,224	$ 1,982,142
Major Goods and Service Lines								
Turnkey Projects	$ 1,332.577	$ (2,421)	$ —	$ —	$ 89,253	$ —	$ 178,224	$ 1,597,633
Maintenance & Support	299,314	54,973	—	20,221	7,616	—	—	382,124
Data Center Auditing Services	—	—	—	—	—	—	—	—
Software License	—	—	—	—	—	2,385	—	2,385
	$ 1,631,891	$ 52,552	$ —	$ 20,221	$ 96,869	$ 2,385	$ 178,224	$ 1,982,142
Timing of Revenue Recognition								
Goods transferred over time	$ 1,332,577	$ (2,421)	$ —	$ —	$ 89,253	$ 2,385	$ 178,224	$ 1,600,018
Services transferred over time	299,314	54,973	—	20,221	7,616	—	—	382,124
	$ 1,631,891	$ 52,552	$ —	$ 20,221	$ 96,869	$ 2,385	$ 178,224	$ 1,982,142

For the Three Months Ended June 30, 2019

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
Primary Geographical Markets							
North America	$ 805,135	$ 169,010	$ 20,621	$ 53,575	$ 217,251	$ 80,213	$ 1,345,805
Major Goods and Service Lines							
Turnkey Projects	$ 552,561	$ 169,010	$ 12,815	$ 33,354	$ 217,251	$ —	$ 984,991
Maintenance & Support	252,574	—	7,806	20,221	—	—	280,601
Data Center Auditing Services	—	—	—	—	—	80,213	80,213
Software License	—	—	—	—	—	—	—
	$ 805,135	$ 169,010	$ 20,621	$ 53,575	$ 217,251	$ 80,213	$ 1,345,805
Timing of Revenue Recognition							
Goods transferred over time	$ 552,561	$ 169,010	$ 12,815	$ 33,354	$ 217,251	$ 80,213	$ 1,065,204
Services transferred over time	252,574	—	7,806	20,221	—	—	280,601
	$ 805,135	$ 169,010	$ 20,621	$ 53,575	$ 217,251	$ 80,213	$ 1,345,805

For the Six Months Ended June 30, 2020

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Artificial Intelligence	Total
Primary Geographical Markets								
North America	$ 2,345,149	$ 126,887	$ —	$ 47,370	$ 140,988	$ 134,469	$ 178,224	$ 2,973,087
Major Goods and Service Lines								
Turnkey Projects	$ 1,813,687	$ 6,202	$ —	$ —	$ 113,194	$ —	$ 178,224	$ 2,111,307
Maintenance & Support	531,462	120,685	—	47,370	27,794	—	—	727,311
Data Center Auditing Services	—	—	—	—	—	129,699	—	129,699
Software License	—	—	—	—	—	4,770	—	4,770
	$ 2,345,149	$ 126,887	$ —	$ 47,370	$ 140,988	$ 134,469	$ 178,224	$ 2,973,087
Timing of Revenue Recognition								
Goods transferred over time	$ 1,813,687	$ 6,202	$ —	$ —	$ 113,194	$ 134,469	$ 178,224	$ 2,245,776
Services transferred over time	531,462	120,685	—	47,370	27,794	—	—	727,311
	$ 2,345,149	$ 126,887	$ —	$ 47,370	$ 140,988	$ 134,469	$ 178,224	$ 2,973,087

For the Six Months Ended June 30, 2019

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
Primary Geographical Markets							
North America	$ 4,476,933	$ 188,931	$ 54,973	$ 97,068	$ 687,599	$ 192,382	$ 5,697,886
Major Goods and Service Lines							
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
	$ 4,476,933	$ 188,931	$ 54,973	$ 97,068	$ 687,599	$ 192,382	$ 5,697,886
Timing of Revenue Recognition							
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
	$ 4,476,933	$ 188,931	$ 54,973	$ 97,068	$ 687,599	$ 192,382	$ 5,697,886

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

This quarterly report on Form 10-Q and other reports filed by 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" "we", "our", and "us") from time to time with the U.S. Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. 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 "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. 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. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

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. (the "Company") was incorporated in Florida on May 31, 1994 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 51 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 through its wholly owned subsidiary TrueVue360, Inc., marketing its services and solutions under the brand name truevue360. The Company is committed to adding significant focus on the development, marketing and deployment of advanced convolutional neural network-based Artificial Intelligence ("AI"), Deep Machine Learning and Advanced Algorithms applications. While TrueVue360 will chiefly support DTI's business growth, it will also develop and market its significant library of AI applications following a stand-alone business development strategy. Accordingly, our business is now operating in two equally important business units which complement each other and provide comprehensive turnkey, end-to-end, solutions to our customers.

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.

In the Consulting Services area, the Company is now deploying its dcVue software which replaced OSPI.OSPI was used by Duos' consulting auditing teams until last year. dcVue is based upon the Company's OSPI patent which was awarded in 2010. The Company offers dcVue available for license to our customers later this year as a licensed software product.

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 foregoing, no assurance can be provided that our product offerings will generate significant orders or maintain 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, 2020 Compared to Three Months Ended June 30, 2019

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,	
	2020	2019
Revenue	$ 1,982,142	$ 1,345,805
Cost of revenue	1,242,767	1,171,405
Gross profit	739,375	174,400
Operating expenses	2,166,431	2,123,565
Loss from operations	(1,427,056)	(1,949,165)
Other income (expense)	(38,833)	(626)
Net loss	$ (1,465,889)	$ (1,949,791)

Revenues

	For the Three Months Ended June 30,		
	2020	2019	% Change
Revenues:			
Technology systems	$ 1,419,409	$ 984,991	44%
Technical support	382,124	280,601	36%
Consulting services	2,385	80,213	-97%
AI technologies	178,224	—	100%
Total revenue	$ 1,982,142	$ 1,345,805	47%

The increase in technology system revenues is due to a large project executed during the second quarter of 2020. Technical support revenues were higher in the quarter as the result of new service support. The renewals of existing contracts have somewhat offset this impact and we believe that a shift to the next generation of technology systems, which are currently being installed, will have a positive impact going forward. 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.

We recorded a decrease in consulting services recorded in revenue for the second quarter. The current pandemic related to the Novel Coronavirus (COVID-19) has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays will continue to impact the consulting services revenue portion of our business, but the impact for the full year is uncertain at this time.

The AI technologies recorded their first quarter of revenue during the second quarter of 2020. The Company expects to continue the growth with new revenue from existing customers which will be coming on-line in the next several months.

Cost of Revenues

	For the Three Months Ended June 30,		
	2020	2019	% Change
Cost of revenues:			
Technology systems	$ 897,514	$ 967,649	-7%
Technical support	234,754	156,341	50%
Consulting services	—	47,415	-100%
AI technologies	110,499	—	100%
Total cost of revenues	$ 1,242,767	$ 1,171,405	6%

Cost of revenues on technology systems decreased and the overall gross margin was higher during the period compared to the equivalent period in 2019. This is due to a continued focus on build costs and savings through efficiency. Cost of revenues increased on technical support is in line with the increase in revenue for technical support.

The consulting services recorded no cost of revenues in the second three months of 2020. The current pandemic related to the Novel Coronavirus (COVID-19) has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays will impact the consulting services revenue portion of our business, but the impact for the full year is uncertain at this time.

The AI technologies recorded their first quarter of cost of revenue during the second quarter of 2020. The Company expects to continue the growth with new revenue from existing customers which will be coming on-line in the next several months.

Gross Profit

	For the Three Months Ended June 30,		
	2020	2019	% Change
Revenues	$ 1,982,142	$ 1,345,805	47%
Cost of revenues	1,242,767	1,171,405	6%
Gross profit	$ 739,375	$ 174,400	324%

Overall Gross Profit was $739,375 or 37% of revenues compared to $174,400 or 13% of revenues for the three months ended June 30, 2020 and 2019, respectively. We anticipate an increase in the overall gross margin for the full year reporting in 2020.

Operating Expenses

	For the Three Months Ended June 30,		
	2020	2019	% Change
Operating expenses:			
Sales and marketing	$ 122,473	$ 270,196	-55%
Engineering	352,970	289,986	22%
Research and development	149,566	487,738	-69%
Administration	1,023,947	872,972	17%
AI technologies	517,475	202,673	155%
Total operating expense	$ 2,166,431	$ 2,123,565	2%

Operating expenses were higher by 2% than the equivalent period in 2019 reflecting the increase in resources related to the Company's anticipated growth. Research and development expenses decreased due to a shift of personnel cost to the AI technologies department as a result of increased focus in this area. The increase in engineering during the period is a result of additional staff added and resource tools expenditures. Sales and marketing expense decreased due to fluctuation in personnel. Administration expenses increased mostly due to reclassing senior management from the individual departments to administration. AI technologies costs were higher as the result of additional growth in this area.

Loss From Operations

The loss from operations for the three months ended June 30, 2020 was $1,427,056 and $1,949,165 loss from operations for the same period in 2019. The decrease in losses from operations are the result of higher revenues and gross margins for the period together with an increase in operating expenses. The losses are expected to be temporary but with the uncertainty of the current Novel Coronavirus (Covid-19) crisis they are unlikely to be offset for the full year as the anticipated growth in business from new contracts is expected to be delayed by at least six months.

Other Income/Expense

Interest expense for the three months ended June 30, 2020 was $58,243 versus interest expense of $3,692 in the equivalent period in 2019. The increase is mainly due to the non-cash debt discount amortization. Interest income will be more significant during the year due to the large amount of cash on deposit as a result of the 2020 Offering. Interest income from cash on deposit was $19,410 at June 30, 2020 versus $3,066 in the same period of 2019.

Net Loss

The net loss for the three months ended June 30, 2020 and 2019 was $1,465,889 and $1,949,791, respectively. The 25% decrease in net loss was mostly attributed to the increase in revenues for the same period. Net loss per common share was $0.42 and $1.09 for the three months ended June 30, 2020 and 2019, respectively.

Comparison for the Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

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, 2020	For the Six Months Ended June 30, 2019
Revenue	$ 2,973,087	$ 5,697,886
Cost of revenue	2,130,847	3,392,642
Gross profit	842,240	2,305,244
Operating expenses	4,357,211	4,207,960
Loss from operations	(3,514,971)	(1,902,716)
Other income (expense)	(97,967)	(2,906)
Net loss	$ (3,612,938)	$ (1,905,622)

Revenues

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019	% Change
Revenues:			
Projects	$ 1,933,083	$ 4,903,429	-61%
Technical support	727,311	602,075	21%
Consulting services	134,469	192,382	-30%
AI technologies	178,224	—	100%
Total revenue	$ 2,973,087	$ 5,697,886	-48%

The majority of the decrease in overall revenues for the quarter is due to slower than anticipated start to two contract awards by one customer pending resolution of certain terms and conditions. One of these contracts has now been received. In addition, the current pandemic related to the Novel Coronavirus (COVID-19) has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays have impacted the technology systems revenue portion of our business, but the impact for the full year is uncertain at this time. The Company continues to make improvements in 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.

Technical support revenues were higher in the quarter as the result of a new service agreement with a current customer. The renewals of existing contracts have somewhat offset this impact and we believe that a shift to the next generation of technology systems which are currently being installed will have a positive impact going forward. The 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 Consulting services recorded a decrease in revenue in the six months ended June 30, 2020. The decrease in consulting is related to the Novel Coronavirus (COVID-19) which has impacted both expected receipt of awards and delays in execution due to travel and other restrictions.

Cost of Revenues

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019	% Change
Cost of revenues:			
Projects	$ 1,479,058	$ 3,060,643	-52%
Technical support	469,030	261,665	79%
Consulting services	72,260	70,334	3%
AI technologies	110,499	—	100%
Total cost of revenues	$ 2,130,847	$ 3,392,642	-37%

Cost of revenues on projects decreased in line with the decrease in revenues but with the overall improvement in costs in revenues. The overall gross margin was positively impacted during the period compared to the equivalent period in 2019 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 on technical support as a result of increase of staff to support the growth. The consulting services costs of revenue were only slightly higher due to the proportion of the revenue from licensing. The AI technologies recorded their first quarter of cost of revenue during the second quarter of 2020. The Company expects to continue the growth with new revenue from existing customers which will be coming on-line in the next several months.

Gross Profit

	For the Six Months Ended June 30,		
	2020	2019	% Change
Revenues	$ 2,973,087	$ 5,697,886	-48%
Cost of revenues	2,130,847	3,392,642	-37%
Gross profit	$ 842,240	$ 2,305,244	-63%

Gross Profit was $842,240 or 28% of revenues compared to $2,305,244 or 40% of revenues for the six months ended June 30, 2020 and 2019, respectively. The overall gross margin was much lower during the period compared to the equivalent period in 2019 but due to a continued focus on build costs and savings through efficiency the overall impact was mitigated. We previously reported significant increase in personnel in anticipation of increased execution and support requirements for the second half of 2020 and management will continue to review pending orders to ensure appropriate staffing. 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.

Operating Expenses

	For the Six Months Ended June 30,		
	2020	2019	% Change
Operating expenses:			
Sales and marketing	$ 262,325	$ 520,620	-50%
Engineering	665,406	624,549	7%
Research and development	555,958	871,160	-36%
Administration	2,039,498	1,807,645	13%
AI technologies	834,024	383,986	117%
Total operating expense	$ 4,357,211	$ 4,207,960	4%

Operating expenses were higher by 4% than the equivalent period in 2019 reflecting the increase in resources related to the Company's anticipated growth. Sales and marketing expense decreased due to fluctuation in personnel in addition to travel restrictions due to the Novel Coronavirus (COVID-19). Research and development expenses decreased due to personnel expenses transferred to the AI department. The increase in engineering during the period is a result of improved resourcing and tools necessary for increased efficiencies going forward. Administration expenses increased mostly due to reclassing senior management from the individual departments to administration and one-time expenses related to the equity fundraising and to the Company's listing on the Nasdaq during the first quarter. AI technologies costs were higher as the result of additional growth in this area and resources allocated from the research and development department.

Loss From Operations

The loss from operations for the six months ended June 30, 2020 was $3,514,971 and the loss from operations for the same period in 2019 was $1,902,716. The 85% increase in loss from operations was mostly due to the overall decrease in revenue for the period and lower than usual gross margin for the six-month period ending June 30, 2020.

Interest Expense

Interest expense for the six months ended June 30, 2020 was $127,175 and the interest expense for same period in 2019 was $6,313. The increase is mainly due to the non-cash debt discount amortization.

Other Income

Other income for the six months ended June 30, 2020 and 2019 was $29,208 and $3,407, 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 2020.

Net Loss

The net loss for the six months ended June 30, 2020 and 2019 was $3,612,938 and $1,905,622, respectively. The increase in net loss is mostly attributed to the overall decrease in revenue for the period and lower than usual gross margin for the six-month period ending June 30, 2020. Net loss per common share was $1.16 and $1.14 for the six months ended June 30, 2020 and 2019, respectively.

Liquidity and Capital Resources

As of June 30, 2020, the Company has a working capital of $4,991,582 and a net loss of $3,612,938 for the six months ended June 30, 2020.

Cash Flows

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

	June 30, 2020	June 30, 2019
Net cash used in operating activities	$ (3,152,753)	$ (2,711,334)
Net cash used in investing activities	(179,202)	(226,549)
Net cash provided by financing activities	8,650,492	2,009,266
Net increase (decrease) in cash	$ 5,318,537	$ (928,617)

Net cash used in operating activities for the six months ended June 30, 2020 was $3,152,753 and net cash used during the same period of 2019 was $2,711,334. The increase in net cash used in operations for the six months ended June 30, 2020 was the result of higher expenditures 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 significant decrease in accounts payable and along with decrease in accrued expenses reflecting better availability of working capital as a result of the recent capital raise. In addition, cash is being used to further development activities within our 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, 2020 and 2019 were $179,202 and $226,549, respectively, representing a decrease in investments in various fixed assets during the six months of 2020.

Net cash provided in financing activities for the six months ended June 30, 2020 was $8,650,492 and for the same period of 2019 was $2,009,266. Cash flows provided in financing activities during the six-month period in 2020 were primarily attributable to a significant capital raise undertaken during the period in conjunction with listing on the Nasdaq Capital Market. Cash flows from financing activities during 2019 were primarily attributable to support of operations and repayment of one short term note and short-term credit facilities offset by proceeds from a warrant exercise from which the Company derived cash proceeds.

Previously, we have funded our operations primarily through the sale of our equity (or equity linked) and debt securities. During 2020, we have funded our operations through a combination of a recent capital raise, revenues generated, and cash received from ongoing project execution and associated maintenance revenues. As of August 11, 2020, we had cash on hand of approximately $4,624,900. 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 operations for at least the next 12 months. However, the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on the business in the coming quarters.

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 and are currently impacted by the Novel Coronavirus (Covid-19). 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 this situation and potential for a prolonged recession period and are 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.

As reflected in the accompanying unaudited consolidated financial statements, the Company had working capital of $4,991,582 and an accumulated deficit of $36,353,653 at June 30, 2020. During the same period in 2019, the Company had negative working capital of $543,920 and an accumulated deficit of $32,175,455.

Upon completion of the 2020 Offering, management raised sufficient working capital to meet its needs for the next 12-months without the need to raise further capital. Since the advent of the Covid-19 pandemic, he Company has experienced a significant slowdown in closing new projects due to cautious actions by current and potential clients. We continue to be successful in identifying new business opportunities and are focused on re-establishing a backlog of projects. Most importantly, the Company's success in increasing its working capital surplus after receiving proceeds from the 2020 Offering of more than $8.1 million has given us the runway required to maintain our business strategy overall. Management has been and continues to take actions including, but not limited to, elimination of certain costs that did not contribute to short term revenue, re-aligning management with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term.

Management believes that we have eliminated 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. 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. Although the current pandemic related to the Novel Coronavirus (Covid-19) has affected our operations, we have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand to maintain operations for at least 12 months from the date of this report.

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. Management implemented on January 1, 2019. The standard was applied in a retrospective approach for each period presented.

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 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

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, 2020 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, 2020.

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

The Company issued 1,632 shares of common stock for services to the members of the board during the second quarter of 2020.

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.

None

Item 6. Exhibits.

Exhibit No.	Description
10.1*	Paycheck Protection Program Note, dated April 23, 2020, issued to BBVA USA
31.1*	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)).
31.2*	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)).
32.1**	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.
32.2**	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.

DUOS TECHNOLOGIES GROUP, INC.

Date: August 14, 2020	By: /s/ Gianni B. Arcaini Gianni B. Arcaini Chairman and Chief Executive Officer
Date: August 14, 2020	By: /s/ Adrian G. Goldfarb Adrian G. Goldfarb Chief Financial Officer

EXHIBIT 10.1

134877100

065000000000067833126520ALS0950

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$1,410,270.00	04-23-2020	04-23-2022	6783312652	04A0 / 999		66038	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: DUOS TECHNOLOGIES INC
6622 SOUTHPOINT DR S STE 310
JACKSONVILLE, FL 32216-6188

Lender: BBVA USA
SBA PPP FL
10060 SKINNER LAKE DR
JACKSONVILLE, FL 32246
8002391996

Principal Amount: $1,410,270.00 Date of Note: April 23, 2020

PROMISE TO PAY. DUOS TECHNOLOGIES INC ("Borrower") promises to pay to BBVA USA ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Million Four Hundred Ten Thousand Two Hundred Seventy & 00/100 Dollars ($1,410,270.00), together with interest on the unpaid principal balance from April 23, 2020, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 1.000% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 18 payments of $79,379.93 each payment. Borrower's first payment is due November 23, 2020, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on April 23, 2022, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to interest, then to any fees or amounts for additional products or services you obtain in connection with this loan (such as debt cancellation/suspension protection, credit insurance, warranty coverage, etc.) that are payable with or as part of your payment, then to principal due, then to any unpaid collection costs and other charges due under this Note, with any remaining amount to the outstanding principal balance. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Note.

TRANSACTIONS WITH AFFILIATES. Borrower shall not directly or indirectly (including through its parent company(ies), subsidiary(ies), or affiliate(s)) transfer any proceeds of the Loan to, nor use them for the benefit of, a Bank Affiliate, including using any of the proceeds of the Loan to make any payment on (or with respect to) any loan or other debt from any Bank Affiliate. Borrower may request a list of Bank Affiliates, which is updated on a quarterly basis, from the Bank by contacting its relationship manager. The term "Bank Affiliate" means any entity (1) that is directly or indirectly (including ownership through a trust and beneficial ownership), controlling, controlled by, or under common control with Lender (such an entity a "Control Entity"), (2) in which a majority of its directors, trustees, or general partners (or individuals exercising similar functions) constitute a majority of the persons holding any such office with Lender or a Control Entity, (3) that is sponsored and advised on a contractual basis by Lender or another Bank Affiliate, or (4) that is an investment fund for which Lender or any other Bank Affiliate serves as an investment adviser. Ownership of fifteen percent (15%) or more of the ownership interest in an entity shall be deemed control of the entity, and each general partner shall be deemed to have control over a partnership.

To the extent the proceeds of this Loan will be used to purchase securities (regardless of whether such purchase is conducted through BBVA Securities Inc. or through another broker-dealer): (1) no securities of a Bank Affiliate (including those underwritten by a Bank Affiliate) shall be purchased during an issuance or underwriting period, or in a way that would transfer Loan proceeds to a Bank Affiliate; (2) no securities shall be purchased where a Bank Affiliate is selling them as principal (even in the open market); and (3) Borrower agrees to promptly notify Lender of any violation of this provision.

Failure to comply with the foregoing Transactions with Affiliates requirements at any time during the term of this Agreement, including renewals and extensions thereof, shall be deemed a Default and subject to the default provisions and remedies available to Lender.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: BBVA USA, SBA PPP FL, 10060 SKINNER LAKE DR, JACKSONVILLE, FL 32246.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

UNITED STATES SMALL BUSINESS ADMINISTRATION (SBA) GOVERNING LAW. When SBA is the holder, this Note will be interpreted and enforced under Federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any Federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt Federal law.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender the amount of these costs and expenses, which includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Florida without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Florida.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of $10.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. This loan is unsecured.

AMENDMENTS. This Note constitutes the entire understanding and agreements of the parties as to the matters set forth in this Note. No alteration or amendment of this Note shall be effective unless given in writing and signed by the party or parties sought to be bound by the alteration or amendment.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Note to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Note. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Note shall not affect the legality, validity or enforceability of any other provision of this Note.

ADDITIONAL PROVISIONS. Notwithstanding any other provisions of this Note to the contrary: (a)**Lender's Remedies.** Lender also may exercise any and all remedies available to it. Lender's rights are cumulative and may be exercised together, separately, and in any order; (b)**No Assignment.** Borrower agrees not to assign any of Borrower's rights or obligations under this Note; (c)**Prepayments.** The terms "prepayment" and "early payment" mean any payment that exceeds the combined amount of interest, principal due, and charges due as of the date Lender receives that payment. The amount of this excess will be applied to the outstanding principal balance;(d)**Final Payment.** Borrower agrees that, if Borrower owes any late charges, collection costs or other amounts under this Note or any related documents, Borrower's final payment under this Note will include all of these amounts, as well as all unpaid principal and accrued interest;(e)**Loan Fees.** Borrower agrees that all loan fees and other prepaid finance charges are fully earned as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default).

ADDITIONAL EVENTS OF DEFAULT. Notwithstanding any other provisions herein to the contrary, each of the following also shall be an Event of Default hereunder:

(i) If the Borrower is an LLC, any change in the ownership of twenty-five percent (25%) or more of the membership interests in Borrower.

(ii) Any material adverse change in the financial condition of any guarantor.

BUSINESS PURPOSE. The Borrower agrees to use the proceeds of this Note or Credit Agreement solely for business purposes and not any personal, family or household purpose.

JURISDICTION. Any legal action or proceeding brought by Lender or Borrower against the other arising out of or relating to the loan evidenced by this instrument (a "Proceeding") shall be instituted in the federal court for or the state court sitting in the county where Lender's office that made this loan is located. With respect to any Proceeding, each Borrower, to the fullest extent permitted by law: (i) waives any objections that Borrower may now or hereafter have based on venue and/or forum non conveniens of any Proceeding in such court; and (ii) irrevocably submits to the jurisdiction of any such court in any Proceeding. Notwithstanding anything to the contrary herein, Lender may commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction if determined by Lender to be necessary in order to fully enforce or exercise any right or remedy of Lender relating to this loan, including without limitation, realization upon collateral that secures this loan.

OTHER COLLATERAL. Collateral securing other loans with Lender may also secure this loan. To the extent collateral previously has been given to lender by any person which may secure this loan, whether directly or indirectly, it is specifically agreed that, to the extent prohibited by law, all such collateral consisting of household goods will not secure this loan. In addition, if any collateral requires the giving of a right of rescission under Truth in Lending for this loan, such collateral also will not secure this loan unless and until all required notices of that right have been given.

CHANGE IN INITIAL INTEREST RATE. If this Note evidences an extension of credit with a variable rate and an initial or a current Interest rate or Index is stated, the initial or current rate or index stated on the Note may differ from the actual rate or index due to changes in the rate or index before closing.

CONSTRUCTION OF DOCUMENTS. In the event of any conflict within the provisions of this Note or between this Note and any other document referred to or executed in connection with this Note, and notwithstanding any other provision to the contrary in any of the foregoing, the provisions most favorable to Lender shall control. The parties hereto agree and acknowledge that no rule of construction permitting or requiring any claimed ambiguities to be resolved against the drafting party shall be employed in the interpretation of this Note or any of the other documents referred to or executed in connection with this Note.

ERRORS AND OMISSIONS. I agree that if deemed necessary by Lender or any agent closing the loan evidenced by this Note ("the Loan"), Lender or the agent may correct and adjust this Note and any other documents executed in connection with the Loan ("Related Documents") on my behalf, as if I were making the correction or adjustment, in order to correct clerical errors. A clerical error is information in a document that is missing or that does not reflect accurately my agreement with Lender at the time the document was executed. If any such clerical errors are material changes, I agree to fully cooperate in correcting such errors within 30 days of the date of mailing by Lender of a request to do that. Any change in the documents after they are signed to reflect a change in the agreement of the parties is an "alteration" or "amendment," which must be in writing and signed by the party who will be bound by the change.

MINIMUM INTEREST RATE. Notwithstanding anything to the contrary contained in your note, credit agreement or other instrument (the "Note") your interest rate or Periodic Rate, will never be lower than the legal minimum interest rate or floor as described in your Note. If your Note provides for a variable rate tied to an index plus a margin, that rate may, at times, total an amount less than the Minimum Interest Rate. In such case your interest rate or Periodic Rate will be the stated Minimum Interest Rate. In the event that the sum of the Index plus the margin is greater than the Minimum Interest Rate, then this higher rate shall be the interest rate or Periodic Rate charged on your Note.

REINSTATEMENT OF MINIMUM INTEREST RATE OR INDEX. If the Note provides for a minimum interest rate or minimum interest rate index (sometimes referred to as the 'floor'), and such minimum interest rate or minimum interest rate index is waived or removed in conjunction with Borrower entering into an interest rate swap transaction, such minimum interest rate shall automatically be reinstated if, and at the time, the interest rate swap transaction is canceled or terminated for any reason.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Florida (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

DUOS TECHNOLOGIES INC

By: Connie Weeks
CONNIE WEEKS, CHIEF ACCOUNTING OFFICER of
DUOS TECHNOLOGIES INC

Exhibit 31.1

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, 2020

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

Exhibit 31.2

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, 2020

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

EXHIBIT 32.1

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, 2020, 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, 2020, 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, 2020, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2020

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

EXHIBIT 32.2

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, 2020, 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, 2020, 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, 2020, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2020

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