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

Form 10-KSB/A

Amendment No. 1

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2004

☐ **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: 1-16525

CVD EQUIPMENT CORPORATION

(Name of Small Business Issuer in Its Charter)

New York	**11-2621692**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

1860 Smithtown Avenue
Ronkonkoma, New York 11779
(Address including zip code of registrant's Principal Executive Offices)

(631) 981-7081
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:
None

Securities registered under Section 12(g) of the Act:
Common Stock, Par value $0.01
(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ☐

CVD EQUIPMENT CORPORATION AND SUBSIDIARY

EXPLANATORY NOTE

This amendment is being filed for the sole purpose of correcting the inadvertent typographical error contained in the previously-filed independent audit report for the year ended December 31, 2003. No changes to the financial statements are being made in this amendment.

The third paragraph of the Independent Audit Report for the year ended December 31, 2003 filed in the 2004 10-KSB on page F-2 previously read:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CVD Equipment Corporation and Subsidiary as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

The third paragraph of the Independent Audit Report for the year ended December 31, 2003 filed in this 2004 10-KSB/A on page F-2 presently reads as follows:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CVD Equipment Corporation and its subsidiary as of December 31, 2003 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CVD Equipment Corporation
Ronkonkoma, New York

We have audited the accompanying consolidated balance sheet of CVD Equipment Corporation and its subsidiary as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CVD Equipment Corporation and its subsidiary as of December 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MOORE STEPHENS, P. C.
Certified Public Accountants.

Cranford, New Jersey
February 25, 2005

INDEPENDENT AUDIT REPORT

To the Board of Directors and Stockholders
CVD Equipment Corporation
Ronkonkoma, NY

We have audited the accompanying consolidated balance sheet of CVD Equipment Corporation and Subsidiary (the "Company") as of December 31, 2003, and the related consolidated statements of income, stockholders' equity and cahs flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CVD Equipment Corporation and its subsidiary as of December 31, 2003, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.
Hauppauge, New York
February 20, 2004

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 171,463	$ 321,490
Accounts receivable, net	2,375,257	1,819,744
Cost and estimated earnings in excess of billings on uncompleted contracts	1,110,362	575,734
Inventories	1,823,453	1,425,851
Other current assets	110,743	74,247
Total Current Assets	5,591,278	4,217,066
Property, plant and equipment, net	5,153,017	5,400,032
Deferred income taxes	300,743	440,362
Other assets	398,587	144,458
Intangible assets, net	109,558	122,977
Total Assets	$ 11,553,183	$ 10,324,895
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 213,394	$ 177,381
Short-term notes payable	850,000	-
Accounts payable	725,706	520,525
Accrued expenses	584,443	426,838
Accrued professional fees - related party	41,626	40,578
Customer Deposits	298,152	20,595
Billings in excess of costs on uncompleted contracts	-	174,068
Total Current Liabilities	2,713,321	1,359,985
Long-term Debt, net of current portion	3,140,628	3,336,400
Commitments and Contingencies	-	-
Total Liabilities	$ 5,853,949	$ 4,696,385
Stockholders' Equity:		
Common stock - $0.01 par value -10,000,000 shares authorized; 3,039,100 shares issued & outstanding at December 31, 2004 and 2003	30,391	30,391
Additional paid-in capital	2,902,149	2,902,149
Retained earnings	2,766,694	2,695,970
Total Stockholders' Equity	5,699,234	5,628,510
Total Liabilities and Stockholders' Equity	$ 11,553,183	$ 10,324,895

See Notes to Consolidated Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations
Years ended December 31, 2004 and 2003

	2004	2003
Revenue		
Revenue on completed contracts	$ 7,647,369	$ 9,065,679
Revenue on uncompleted contracts	2,226,223	722,260
	9,873,592	9,787,939
Costs of revenue		
Cost on completed contracts	5,406,889	7,180,226
Cost on uncompleted contracts	1,142,057	303,771
	6,548,946	7,483,997
Gross profit	3,324,646	2,303,942
Operating expenses		
Selling and shipping	691,281	740,266
General and administrative	2,225,250	2,123,603
Related party - professional fees	26,464	40,578
Total operating expenses	2,942,995	2,904,447
Operating income (loss)	381,651	(600,505)
Other income (expense)		
Interest income	752	1,243
Interest expense	(212,547)	(208,944)
Other income	26,001	310,042
Total other (expense) income, net	(185,794)	102,341
Income (loss) before income tax (expense) benefit	195,857	(498,164)
Income tax (expense) benefit	(125,133)	161,214
Net income (loss)	70,724	(336,950)
Basic income (loss) per common share	$ 0.02	$ (0.11)
Diluted income (loss)per common share	$ 0.02	$ (0.11)
Weighted average common shares outstanding basic income per share	3,039,100	3,039,100
Weighted average common shares outstanding diluted income per share	3,053,494	3,039,100

See Notes to Consolidated Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Stockholder's' Equity
Years ended December 31, 2004 and 2003

	Common Stock Shares	Common Stock Amount	Additional Paid -In Capital	Retained Earnings	Total Shareholder's Equity
Balance - December 31, 2002	3,039,100	$ 30,391	$ 2,902,149	$ 3,032,920	$ 5,965,460
Net loss				(336,950)	(336,950)
Balance - December 31, 2003	3,039,100	30,391	2,902,149	2,695,970	5,628,510
Net income				70,724	70,724
Balance - December 31, 2004	3,039,100	$ 30,391	$ 2,902,149	$ 2,766,694	$ 5,699,234

See Notes to Consolidated Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Net income (loss)	$ 70,724	$ (336,950)
Adjustments to reconcile net income (loss)		
to net cash (used in) provided by operating activities:		
Depreciation and amortization	356,884	351,579
Deferred tax (benefit) provision	139,619	(96,288)
Bad debt provision	4,430	1,241
Changes in operating assets and liabilities		
Accounts receivable	(559,942)	31,808
Cost in excess of billings on uncompleted contracts	(534,628)	207,912
Inventory	(397,602)	597,636
Other current assets	(36,496)	119,985
Other assets	(302,694)	(45,902)
Accounts payable	205,181	(417,529)
Accrued expenses	158,655	130,712
Customer Deposits	277,557	20,595
Billing in excess of costs on uncompleted contracts	(174,068)	27,681
Net cash (used in) provided by operating activities	(792,380)	592,480
Cash flows from investing activities:		
Capital expenditures	(47,886)	(67,403)
Net cash used in investing activities	(47,886)	(67,403)
Cash flows from financing activities		
Proceeds of short-term borrowings	1,425,000	1,024,000
Payments of short-term borrowings	(575,000)	(1,374,000)
Proceeds of long-term debt	26,460	-
Payments of long-term debt	(186,221)	(177,124)
Net cash provided by (used in) financing activities	690,239	(527,124)
Net decrease in cash and cash equivalents	(150,027)	(2,047)
Cash and cash equivalents at beginning of year	321,490	323,537
Cash and cash equivalents at end of year	$ 171,463	$ 321,490

See Notes to Consolidated Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 – Business Description

CVD Equipment Corporation and Subsidiary (the “Company”), a New York corporation, was organized and commenced operations in October 1982. Its principal business activities include the manufacturing of chemical vapor deposition equipment, customized gas control systems and a line of furnaces all of which are used primarily to produce semiconductors and other electronic components. The Company engages in business throughout the United States and the world.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CVD Equipment Corporation and its wholly owned subsidiary. In December 1998 , a subsidiary, Stainless Design Concepts, Ltd., was formed as a New York Corporation. In April 1999, this subsidiary was merged into CVD Equipment Corporation. The Company has one inactive subsidiary, CVD Materials Corporation as of December 31, 2004 and 2003. All significant intercompany accounts and transactions have been 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 disclosure 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 could differ from those estimates. Estimates are used when accounting for certain items such as long-term contracts, allowance for doubtful accounts, depreciation and amortization , taxes and warranties.

Revenue and Income Recognition

The Company recognizes revenues and income using the percentage-of-completion method for custom production-type contracts while revenues from other products are recorded when such products are accepted and shipped. Profits on custom production-type contracts are recorded on the basis of the Company’s estimates of the percentage-of-completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Under this method, revenues are recognized based on costs incurred to date compared with total estimated costs.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed.

The liability, "Billings in excess of costs on uncompleted contracts," represents amounts billed in excess of revenues earned.

Inventories

Inventories are valued at the lower of cost (determined on the first-in, first-out method) or market.

Reclassifications

Certain items have been reclassified in the 2003 financial statements to conform to the 2004 presentation. These reclassifications have no effect on the net income (loss) previously reported.

Income Taxes

Deferred tax assets and liabilities are determined based on the estimated future tax effects of temporary differences between the financial statements and tax bases of assets and liabilities, as measured by the current enacted tax rates. Deferred tax expense (benefit) is the result of changes in the deferred tax assets and liabilities. A valuation allowance is not considered necessary by management since it is more likely than not that the deferred tax asset will be realized. An allowance may be necessary in the future based on changes in economic conditions.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged against operations as incurred. The cost of certain labor and overhead which is expected to benefit future periods, has been capitalized and amortized. Depreciation and amortization are computed by the straight-line method for financial statement purposed over the following estimated useful lives:

	Estimated Useful Life
Buildings	39 years
Building improvements	39 years
Machinery and equipment	8 years
Capitalized labor and overhead	3 years

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

	Estimated Useful Life
Furniture and fixtures	8 years
Computer equipment	5 years
Transportation equipment	3 years

Software Capitalization

The Company follows Statement of Position 98-1, Accounting for Costs of Computer Software Developed or Obtained for Internal Use. This standard requires certain direct development costs associated with internal-use software to be capitalized including external direct costs of material and services and payroll costs for employees devoting time to the software projects. These costs totaled $235,217 and $55,408 for the years ended December 31, 2004 and 2003 respectively and are included in Other Assets. All software is amortized straight-line over its useful life of three years. Amortization expense related to software totaled $40,299 and $31,111 for the years ended December 31, 2004 and 2003, respectively.

Intangible Assets

The cost of intangible assets is being amortized on a straight-line basis over their useful lives ranging from 5 to 15 years. Amortization expense recorded by the Company in 2004 and 2003 totaled $13,419 and $13,416 respectively.

Bad Debts

Accounts receivables are presented net of an allowance for doubtful accounts of $23,728 and $19,298 as of December 31, 2004 and 2003, respectively. The allowance is based on prior experience and management's evaluation of the collectibility of accounts receivable. Management believes the allowance is adequate. However, future estimates may change based on changes in economic conditions.

Product Warranty

The Company records warranty costs as incurred and does not provide for possible future costs. Management estimates such costs not to be material based on prior experience. However, it is reasonably possible that this estimate may change in the future.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Advertising Costs

The company expenses advertising costs which are not expected to benefit future periods. Advertising expenses included in selling and shipping expenses were $21,765 and $16,143 in 2004 and 2003, respectively. The Company capitalizes certain advertising costs included in Other Assets, totaling $63,849 to develop a web site and to print brochures expected to be used in the future. Capitalized advertising costs are amortized straight-line over three years. Amortization expense related to advertising costs totaled $390 and $1,428 in 2004 and 2003, respectively. These costs have been fully amortized as of December 31, 2004.

Interest Capitalization

The Company follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. The amount is included in building improvements. During the years ended December 31, 2004 and 2003, the Company did not capitalize any interest.

Income Per Share

Basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding during each period. Diluted income per share for 2004 reflects the dilutive effect of the assumed exercise of options. Potentially dilutive shares related to the exercise of stock options were excluded from the diluted loss per share calculation for the year ended December 31, 2003, because their effects would have been antidilutive.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company places its cash equivalents with high credit-quality financial institutions and invests its excess cash primarily in money market instruments. The Company has established guidelines relative to credit ratings and maturities that seek to maintain safety and liquidity. The Company sells products and services to various companies across several industries in the ordinary course of business. The Company routinely assesses the financial strength of its customers and maintains allowances for anticipated losses. Generally, the Company does not require collateral or other security to support customer receivables. See Note 14 for concentration details.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Fair value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses, approximate fair value due to the relatively short maturity of these instruments. The fair value of securities available-for-sale is estimated based on quoted market prices. The carrying value of long-term debt approximates fair value based on borrowing rates currently available for loans with similar terms and maturities.

Stock-Based Compensation

The Company accounts for stock-based employee compensation under Accounting Principles Board ("APB") Opinion No. 25. "Accounting for Stock Issued to Employees", and related interpretations. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure", which was released in December 2002 as an amendment of SFAS No. 123. No stock-based employee compensation cost is reflected in net income (loss), as all options granted under the plans had an exercise price at least equal to the market value of the underlying common stock on the date of grant.

Shipping and Handling

It is the Company's policy to include freight in total sales. The amount included in sales was $18,304 and $48,288 for the years ended December 31, 2004 and 2003, respectively. Included in selling and shipping is $58,629 and $91,516 for shipping and handling costs for 2004 and 2003, respectively.

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS NO. 151"), "Inventory Costs-an amendment to ARB No.43," effective for inventory costs incurred during fiscal years beginning after June 15, 2005. This statement provides guidance to clarify the accounting for abnormal amounts of idle facility expense, freight handling costs, and wasted material (spoilage), among other production costs. Provisions of ARB No. 43 stated that under some circumstances, items such as idle facility expense, excessive spoilage and other costs may be so abnormal as to require treatment as current period charges. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. Adoption of the Statement is not expected to have a material impact on the financial statements of the Company.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In November 2004, the FASB issued SFAS No. 152 "Accounting for Real Estate Time-Sharing Transactions-An amendment of SFAS NO. 66 and 67. This Statement amends SFAS No. 66. "Accounting for Sales of Real Estate," to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This Statement also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects," to state the guidance for (a) incidental costs and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to guidance in SOP 04-2, effective for financial statements with fiscal years beginning after June 15, 2005. Adoption of this Statement is not expected to have a material impact on the financial statements of the Company.

In November 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets-an amendment to APB No. 29," effective for nonmonetary asset exchanges occurring in fiscal years beginning after June 15, 2005. This Statement amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Adoption of this Statement is not expected to have a material impact on the financial statements of the Company.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123R (SFAS 123R), "Share-Based Payment." Under previous practice, the reporting entity could account for share-based payment under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and disclose share-based compensation as if accounted for under the provisions of Statement of Financial Accounting Standard No. 123 (SFAS No. 123), " Accounting for Stock-Based Compensation." Under the provisions of SFAS No. 123R, a public entity is required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

The Company expects to adopt SFAS No. 123R effective with the beginning of the quarter ended March 31, 2006. Adoption of the standard is currently expected to reduce future earnings by an amount consistent with the reductions shown in recent pro forma disclosures provided under the provisions of SFAS No. 123. Application of this pronouncement requires significant judgement regarding the assumptions used in the selected option pricing model, including stock price volatility and employee exercise behavior. Most of these inputs are either highly dependent on the current economic environment at the date of grant or forward-looking over the expected term of the award. As a result, the actual impact of adoption on future earnings could differ significantly from our current estimate.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 3 – Supplemental Cash Flow Information

During 2003, options to purchase 87,500 common shares were issued to certain employees and members of the board of directors. The option price for all options granted in 2003 was equal to or greater than the fair market value per share on the date the option was granted and no compensation cost was recognized.

	2004	2003
Cash paid during the year for:		
Income taxes, net of refunds	$ 3,256	$ (61,621)
Interest	212,547	208,944

Note 4 – Uncompleted Contracts

Costs, estimated earnings, and billings on uncompleted contracts are summarized as follows:

	2004	2003
Costs incurred on uncompleted contracts	$1,142,057	$303,772
Estimated earnings	1,084,166	951,894
	2,226,223	1,255,666
Billings to date	(1,115,861)	(854,000)
	$1,110,362	$401,666

Included in accompanying balance sheets Under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$1,110,362	$575,734
Billings in excess of costs and estimated earnings on uncompleted contracts	---	(174,068)
	$1,110,362	$401,666

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 5 - Inventory

	December 31, 2004	December 31, 2003
Raw materials	$ 628,934	$ 777,893
Work-in-process	686,325	108,350
Finished goods	508,194	539,608
	$ 1,823,453	$ 1,425,851

Note 6 – Property, Plant and Equipment
Major classes of property, plant and equipment consist of the following:

	2004	2003
Land	$ 760,000	$ 760,000
Buildings	2,815,839	2,815,839
Building improvements	1,378,552	1,372,505
Machinery and equipment	1,246,470	1,222,587
Capitalized labor and overhead	216,602	216,602
Furniture and fixtures	224,542	214,903
Computer equipment	201,377	193,063
Transportation equipment	74,709	74,709
Totals at Cost	6,918,091	6,870,208
Accumulated depreciation and amortization	(1,765,074)	(1,470,176)
	$ 5,153,017	$ 5,400,032
Depreciation and amortization expense	$ 294,901	$ 297,747

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 7 – Intangible Assets

Intangible assets are summarized as follows:
December 31, 2004

Intangible Asset	Weighted Average Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Licensing Agreement	5	10,000	10,000	0
Patents & Copyrights	14	32,019	12,021	19,998
Intellectual Property	15	100,000	23,335	76,665
Other	5	21,492	8,597	12,895
Totals	13	163,511	53,953	109,558

December 31, 2003

Intangible Asset	Weighted Average Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Licensing Agreement	5	10,000	10,000	0
Patents & Copyrights	14	32,019	9,568	22,451
Intellectual Property	15	100,000	16,668	83,332
Other	5	21,492	4,298	17,194
Totals	13	163,511	40,534	122,977

The estimated amortization expense related to intangible assets for each of the five succeeding fiscal years and thereafter as of December 31, 2004 is as follows:

Year Ended December 31,	
2005	$ 13,417
2006	13,417
2007	13,417
2008	9,119
2009	7,619
Thereafter	52,569
Total	$ 109,558

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 8 – Financing Arrangements

The Company has a line of credit with a bank which allows the Company to borrow up to $1,000,000 until June 1, 2005. Interest is payable on any unpaid principal balance at the bank's prime rate plus ¾ of 1%. As of December 31, 2004 and 2003 $850,000 and $0 was outstanding on this facility. The prime rate was 5.25% and 4.0% at December 31, 2004 and 2003 respectively. The weighted average interest rate on the Company's short-term borrowings for 2004 and 2003 was 5.46% and 4.80% respectively.

Note 9 – Long-term Debt

Long-term debt consists of the following:

	2004	2003
KIDCO REALTY CORP.		
$900,000 purchase money mortgage secured by real property, building and improvements in Saugerties, New York; payable in equal monthly installments of $5,988 including interest at 7% per annum; entire principal comes due in May 2009.	$ 838,645	$ 851,308
GENERAL ELECTRIC CAPITAL CORPORATION		
$2,700,000 mortgage payable secured by real property, building and improvements in Ronkonkoma, New York; payable in equal monthly installments of $22,285, including interest at 5.67% per annum; pursuant to an installment sale agreement with the Town of Islip Industrial Development Agency; final payment due March 2017.	2,357,668	2,476,851
NORTH FORK BANK		
Sixty month installment note; payable in monthly installments of $4,922, including interest at 7.74% per annum; final payment due October 2007; collateralized by equipment costing $244,239.	140,087	185,622

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

	2004	2003
KEY EQUIPMENT FINANCE		
Twenty-four month installment note, payable In monthly installments of $1,123, including Interest at 1.9% per annum; final payment due May 2006, collateralized by software costing $26,460.	17,622	0
	3,354,022	3,513,781
Less: Current maturities	213,394	177,381
	$ 3,140,628	$ 3,336,400

Future maturities of long-term debt as follows:

Year ended December 31, 2005	$ 213,394
Year ended December 31, 2006	217,204
Year ended December 31, 2007	207,088
Year ended December 31, 2008	179,394
Year ended December 31, 2009	950,276
Thereafter	1,586,666
	$ 3,354,022

Note 10 – Income per Share

The calculation of basic and diluted weighted average common shares outstanding is as follows:

	2004	2003
Weighted average common shares outstanding basic income per share	3,039,100	3,039,100
Effect of potential common share issuance:		
Stock options	14,394	--
Weighted average common shares outstanding Diluted income per share	3,053,494	3,039,100

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Outstanding options to purchase 305,900 shares were not included in the earnings per share calculation at December 31, 2004, because the exercise price was higher than the market price. Potentially dilutive shares related to the exercise of stock options to purchase 365,400 shares were excluded from the diluted loss per share calculation at December 31, 2003, because their effects would have been antidilutive. These options could potentially dilute earnings in the future.

Note 11 – Income Taxes

The provision (benefit) for income taxes includes the following:

	2004	2003
Current:		
Federal	$ ----	$ (65,761)
State	(14,486)	835
Total Current Provision (Benefit)	(14,486)	(64,926)
Deferred:		
Federal	85,638	(77,849)
State	53,981	(18,439)
Total Deferred Provision (Benefit)	139,619	(96,288)
	$ 125,133	$ (161,214)

The Company has New York State investment tax credit carryforwards of $263,160 that may be offset against future state tax liabilities through the year 2019 and other state tax credits totaling $316,053 which may be carried forward indefinitely. The Company accounts for investment tax credits primarily by the flow-through method.

As of December 31, 2004, the Company had federal and state net operating loss (NOL's) carryforwards totaling approximately $625,000 and $342,000, respectively. These NOL's were incurred in the 2003 tax year and may be used to offset taxable income in future periods through 2023.

The Company also has capital loss carryforwards incurred in prior periods totaling approximately $24,000 set to expire 2005.

The difference between the provision for income taxes at the Company's effective income tax rate and the federal statutory rate of 34% is as follows:

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	2004	2003
Statutory rate	34%	34%
State taxes, net of federal benefits	7%	7%
Investment and other tax credits	24%	(73%)
Totals	65%	(32%)

The tax effects of temporary differences giving rise to significant portions of deferred taxes are as follows:

	2004	2003
Allowance for doubtful accounts	$ 9,320	$ 7,472
Inventory capitalization	67,353	39,618
Deferred revenue	(425,860)	(368,573)
Net operating loss	222,555	289,570
Depreciation and amortization	(190,376)	(157,462)
Investment tax credit	579,213	615,133
Vacation Accrual	28,963	14,604
Other	9,575	0
Net deferred tax asset	$ 300,743	$ 440,362

Management believes the net deferred tax asset will more likely than not be realized. In assessing the likelihood of realization, management considers estimates of future taxable income. However, it is at least reasonably possible that management's estimate of future realization may change in the near term.

Note 12 - Stock Option Plans

On June 15, 1989 the Company instituted a non-qualified stock option plan (the "Plan"). In connection therewith, 700,000 shares of the Company's common stock are reserved for issuance pursuant to options that may be granted under the Plan through June 30, 2009. On June 3, 1996, the Company issued 84,000 options which expire ten years from the date of grant. None of these options were exercisable until June 3, 1999. The option price was less than the fair market value per share on the date the 1996 options were granted. On April 15, 1998, 140,000 options were granted to employees under this plan. Options granted in 1998 vest straight-line over a four-year period following the date of grant and expire five years after the date of grant. On July 16, 1999, 52,500 options were granted to employees under this Plan. Options granted in 1999 vest incrementally over a four-year period following the date of grant and expire seven years after the date of grant. On February 2, 2000, 242,000 options were granted to employees under this plan.

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On May 7, 2000 and August 8, 2000, a total of 80,000 options were granted to employees. On October 26, 2000, 3,500 options were granted to employees. All options vest over a four-year period. All options granted in 2000 expire seven years after the date of grant. The option price

for options granted in 1999 and 2000 is an amount per share of not less than the fair market value per share on the date the option is granted. On April 1, 2003, the Company granted 12,500 options to employees under this plan which expire April 1, 2008, and on September 23, 2003 granted 75,000 options to directors which expire on September 23, 2010.

In July 2001, the shareholders approved a non-qualified stock option plan covering key employees, officers, directors and other persons that may be considered as service providers to the Company. Options will be awarded by the Board of Directors or by a committee appointed by the board. Under the plan, an aggregate of 300,000 shares of Company common stock, $.01 par value, are reserved for issuance or transfer upon the exercise of options which are granted. Unless otherwise provided in the option agreement, options granted under the plan shall become exercisable in 25% installments commencing one year from the anniversary date of the grant.

The purchase price of the common stock under each option shall be no lower than the average bid price per share, calculated on a monthly basis, that the common stock (as reported by AMEX) traded during the calendar year immediately preceding the year in which the option is granted. The stock options generally expire five years after the date of grant. The stock option plan shall terminate on July 22, 2011. No options have been granted under the July 2001 plan.

A summary of stock option activity related to the Company's Plan is as follows:

	Beginning Balance Outstanding	Granted During Period	Exercised During Period	Canceled During Period	Ending Balance Outstanding	Exercisable
Year ended December 31, 2003						
Number of shares	396,650	87,500	-0-	118,750	365,400	196,290
Weighted average exercise price per share	$ 1.65	$ 1.75	$ -0-	$ 1.59	$ 1.69	$ 1.66
Year ended December 31, 2004						
Number of shares	365,400	-0-	-0-	10,000	355,400	296,650
Weighted average exercise price Per share	$ 1.69	-0-	$ -0-	$ 1.75	$ 1.69	$ 1.68

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The following table summarizes information about the options at December 31, 2004.

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.13 - $1.00	49,500	1.55 years	$ 1.00	49,500	$ 1.00
$1.25 - $1.50	75,000	5.74 years	$ 1.40	25,000	$ 1.40
$1.51 - $1.75	169,900	2.09 years	$ 1.75	169,900	$ 1.75
$2.00 - $2.75	45,000	2.56 years	$ 2.00	45,000	$ 2.00
$3.00 - $3.25	3,500	2.50 years	$ 3.25	3,500	$ 3.25
$3.75 - $4.00	12,500	4.25 years	$ 3.88	3,750	$ 3.88

The Company accounts for the stock option plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees, and related interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation”, to its stock-based employee compensation: See Note 2.

The weighted average grant date fair value of options granted during 2003 was $1.75. There were no options granted in 2004.

	2004	2003
Net income (loss), as reported	$ 70,724	$ (336,950)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	-0-	-0-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	$ (71,978)	$ (57,985)
Pro-forma net income (loss)	$ (1,254)	$ (394,935)

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Income (loss) per share:	2004	2003
Basic-as reported	$ .02	$(.11)
Basic-pro forma	$ .00	$(.13)
Diluted –as reported	$ .02	$(.11)
Diluted –pro forma	$ .00	$(.13)

The fair value used in the pro forma data was estimated by using the Black-Scholes option-pricing model which took into account as of the grant date, the exercise price and the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the expected term of the option. The following is the average of the data used for the following items.

Year Ended	Risk-Free Interest Rate	Expected Life	Expected Volatility	Expected Dividends
December 31, 2003	2.5%	5.7 Years	47.725%	None

There were no options granted in 2004.

Note 13 – Defined Contribution Plan

On August 1, 1998, the Company adopted a 401(k) Plan for the benefit of all eligible employees. All employees as of the effective date of the 401(k) Plan became eligible. An employee who became employed after August 1, 1998, would become a participant after three months of continuous service.

Participants may elect to contribute from their compensation any amount up to the maximum deferral allowed by the Internal Revenue Code. Employer contributions are optional. During the years ended December 31, 2004 and 2003 the Company incurred administrative costs totaling $2,530 and $2,869 respectively. No employer contribution has been made for 2004 and 2003.

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Note 14 – Concentration of Credit Risk

Cash

The Company places most of its temporary cash investments with one financial institution. Balances normally exceed the federal Deposit Insurance Corporation limit. The amount at risk at December 31, 2004 was approximately $76,000. The Company has not experienced any loss to date as a result of this policy.

Significant Customers

The Company's sales encompass markets wherein the demands of any one customer may vary greatly due to changes in technology. In 2004, one customer from the Conceptronic division represented approximately 17% of the Company's total revenue for the year and 16% of the Company's total billed and unbilled receivables at December 31, 2004. Two other customers, one each from the CVD and SDC divisions, represented approximately 11% and 23% of total billed and unbilled receivables at December 31, 2004. In 2003, one customer of Conceptronic represented approximately 12% and one customer of the CVD division represented 13% of the Company's annual revenue. These customers represented less than 1% of total billed and unbilled receivables at December 31, 2003.

Export Sales

Export sales to unaffiliated customers represented approximately 32% and 26% of sales for the years ended December 31, 2004 and 2003, respectively, Export sales in 2004 and 2003 were primarily to customers in Asia. All contracts are denominated in U.S. dollars. The Company does not enter into any foreign exchange contracts.

Note 15 – Related Party Transactions

The general counsel for the Company is also a director. The Company incurred legal fees for his professional services of approximately $26,000 and $41,000 for the years ended December 31, 2004 and 2003, respectively. As of December 31, 2004 and 2003, the Company owed the general counsel approximately $41,000.

Note 16 – Other Income

Other income for the year ended December 31, 2003 consists of approximately $140,000 in cash received on the collection of accounts receivable exceeding the amount booked as part of the purchase of assets on June 17, 2002.

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Note 17 – Segment Reporting

The Company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." The Company operates through (3) segments, CVD, SDC and Conceptronic. The CVD division is utilized for silicon, silicon germanium, silicon carbide and gallium arsenide processes. SDC is the Company's ultra-high purity manufacturing division in Saugerties, New York. Conceptronic is a manufacturer of Surface Mount Technology equipment. The accounting policies of CVD, SDC and Conceptronic are the same as those described in the summary of

significant accounting policies (see Note 2). The Company evaluates performance based on several factors, of which the primary financial measure is earnings before taxes.

The following table presents certain information regarding the Company's segments at December 31, 2004 and for the year then ended:

	CVD	SDC	Conceptronic	Eliminations	Consolidated
Assets	$ 10,026,553	$ 2,604,804	$ 2,878,597	$ (3,956,771)	$ 11,553,183
Revenue	$ 2,885,410	$ 2,843,293	$ 4,948,170	$ (803,281)	$ 9,873,592
Interest Income	-0-	752	-0-		752
Interest Expense	76,678	59,190	76,679		212,547
Depreciation and amortization	201,958	130,876	24,050		356,884
Capital expenditures	36,721	8,150	3,015		47,886
Pretax (loss) earnings	(38,052)	140,380	93,529		195,857

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The following table presents certain information regarding the Company's segments at December 31, 2003 and for the year then ended:

	CVD	SDC	Conceptronic	Eliminations	Consolidated
Assets	$ 9,227,302	$ 2,245,712	$ 2,361,457	$ (3,509,577)	$ 10,324,894
Revenue	$ 3,779,878	$ 2,360,711	$ 4,106,780	$ (459,430)	$ 9,787,939
Interest Income	586	657	-0-		1,243
Interest Expense	170,735	60,044	(21,835)		208,944
Depreciation and amortization	188,789	140,229	22,562		351,580
Capital expenditures	47,168	17,413	2,822		67,403
Pretax earnings (loss)	87,950	(205,884)	(380,230)		(498,164)

Note 18- Commitments and Contingencies

Legal Proceedings

On September 24, 1999 the Company was named in a lawsuit. The nature of this legal proceeding focused on the intellectual property obtained during the purchase of assets of Stainless Design Corporation. On November 10, 1999, the Company responded with a counterclaim. It is legal counsels' belief that the lawsuit against the Company is without merit. The Company considers its potential exposure to be negligible and/or covered by insurance. Presently, cross-motions for summary judgment are pending before the court.

In May 2002, the Company instituted a new action against Precisionflow Technologies, Inc., in the United States District for the Northern District of New York also seeking injunctive relief and monetary damages based upon additional copyright violations. A motion by Precisionflow Technologies, Inc. to dismiss this action has been pending since June 2002