

# **CVD EQUIPMENT CORPORATION**

## **Charter of the Audit Committee of the Board of Directors**

### **I. Audit Committee Purpose**

The Board of Directors (the “Board”) of CVD Equipment Corporation (the “Company”), pursuant to the By-laws of the Company and Section 712 of the Business Corporation Law of the State of New York, has designated from among its members an audit committee (the “Committee”) for the purpose of overseeing the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company and to have the responsibilities and authorities of the Board set forth in this Charter, which has been adopted and approved by the Board. Notwithstanding anything set forth in this Charter, the Committee shall not be responsible to plan or conduct audits, to determine that the Company’s financial statements are complete and accurate or prepared in accordance with generally accepted accounting principles, or to assure compliance with laws and regulations or the Company’s Corporate Code of Conduct and Ethics.

### **II. Audit Committee Composition and Meetings**

The Committee shall be comprised of three or more directors, such number to be determined by the Board from time to time, each of whom shall satisfy the independence standards specified in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) and the NASDAQ Capital Market. All members of the Committee shall be able to read and understand fundamental financial statements, including the Company’s balance sheets, statements of operations, and statements of cash flows. Additionally, at least one member of the Committee shall be financially sophisticated, as specified in the applicable rules and regulations of the NASDAQ Capital Market.

Committee members shall be appointed by the Board on the recommendation of the Board’s Nominating, Governance & Compliance Committee. If a Committee chair is not designated by the Board or if the Committee chair is not present at any meeting of the Committee, the members of the Committee may designate a chair by majority vote of the Committee membership.

The Committee shall meet at least one time each fiscal quarter and more frequently as circumstances dictate.

### **III. Audit Committee Responsibilities and Duties**

The Committee shall have the following responsibilities and duties.

#### **Review Procedures**

- Review and reassess the adequacy of this Charter at least annually. Submit any recommended amendments to this Charter to the Board for its adoption and approval. Publish this Charter, as it may be amended from time to time, in accordance with applicable rules and regulations of the SEC.
- Review and discuss with management and the independent auditor, the Company’s annual audited financial statements prior to filing or public distribution, and recommend to the Board whether the financial statements should be included in the Company’s Annual Report.
- Review and discuss with management and the independent auditor, the Company’s quarterly financial statements prior to filing or public distribution.

- The Committee's review of financial statements should include discussion with management and independent auditor of significant issues regarding accounting principles, practices, and judgments, including any significant changes in the Company's selection or application of accounting principles.
- In consultation with management, the independent auditor, monitor the integrity of the Company's reporting process and systems of internal controls regarding finance and accounting, including reviewing and discussing any major issues with respect to the adequacy of the internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditor and the internal auditing department together with management's responses.

### **Independent Auditors**

- The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such independent auditor shall report directly to the Committee.
- The Committee shall pre-approve all auditing services, internal control-related services and permitted non-audit services (including the terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit.
- The Committee shall be directly responsible for the resolution of any disagreements between management and any independent auditor regarding financial reporting.
- Discuss with the independent auditor the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board.
- On an annual basis, obtain from the independent auditor the written disclosures and letter delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1, and discuss with the independent auditor its independence.
- Actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor.
- Review the independent auditor's audit plan, including a discussion of the scope, staffing locations, reliance upon management and internal auditing department, and general audit approach.
- Consider the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Obtain from the independent auditor assurance, pursuant to Section 10A(b) of the Exchange Act, that it has not detected or otherwise become aware of information indicating that an illegal act has or may have occurred.

### **Other Audit Committee Responsibilities**

- Review and, if appropriate, approve related party transactions subject to disclosure pursuant to the applicable rules and regulations of the SEC.
- Establish and maintain procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Annually prepare a report to shareholders as required by the applicable rules and regulations of the SEC.
- At least annually, review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements.
- Review the appointment and replacement of senior financial executives.
- Provide an avenue of communications among the independent auditor, management, the internal auditing department, and the Board.
- Maintain minutes of meetings and periodically report to the Board on significant results of the Committee's activities.
- Perform any other activities consistent with this Charter, the Company's By-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

### **IV. Audit Committee Authorities**

The Committee has and shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

The Committee has and shall have the authority to conduct any investigations appropriate to fulfilling its responsibilities, and it has and shall have direct access to the independent auditor as well as anyone in the organization.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of:

- Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- Compensation to any advisers employed by the Committee under this Article IV of this Charter; and
- Ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.