

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Shareholders and Board of Trustees
CornerCap Small-Cap Value Fund
Atlanta, Georgia**

We have audited the accompanying statement of assets and liabilities of CornerCap Small-Cap Value Fund, including the portfolio of investments, as of March 31, 2001, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2001, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of CornerCap Small-Cap Value Fund as of March 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

**Philadelphia, Pennsylvania
May 9, 2001**

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS

March 31, 2001

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	<u>COMMON STOCKS</u> – 98.81%	
	Aerospace 2.52%	
7,300	B.F. Goodrich Co.	\$ 280,101
	Apparel – 5.01%	
13,500	Kellwood Co.	281,163
6,900	Footstar, Inc. *	<u>277,035</u>
		<u>558,198</u>
	Appliances – 3.55%	
7,500	Maytag Corp.	241,875
10,100	Salton, Inc. *	<u>153,520</u>
		<u>395,395</u>
	Audio/Video Products – 2.02%	
8,800	Harman International Industries, Inc.	<u>225,192</u>
	Automotives – 8.19%	
21,100	Arvinmeritor, Inc.	289,703
57,500	TBC Corp. *	348,594
7,900	Superior Industries International, Inc.	<u>273,103</u>
		<u>911,400</u>
	Beverages – 3.19%	
4,950	Constellation Brands Inc. *	<u>355,163</u>
	Building Materials – 2.65%	
10,500	Centex Construction Products	<u>295,050</u>
	Chemicals – 2.56%	
16,100	Quaker Chemical Corp.	<u>284,809</u>
	Diversified – 2.70%	
13,100	Standex International Corp.	<u>300,645</u>
	Education Services – 2.82%	
11,600	ITT Educational Services, Inc. *	<u>314,360</u>
	Electrical Equipment – 4.21%	
10,400	Ametek Aerospace Products, Inc.	287,040
8,750	CTS Corp.	<u>181,563</u>
		<u>468,603</u>
	Financial Services 1.25%	
5,000	Raymond James Financial, Inc.	<u>139,000</u>
	Food Processing – 5.65%	
8,800	McCormick & Co.	369,512
8,000	Smithfield Foods, Inc. *	<u>260,000</u>
		<u>629,512</u>

Furniture – 2.53%
Haverty Furniture, Inc. *

20,600

282,220

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2001

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	<u>COMMON STOCKS – 98.81%</u>	
	Holdings Company – 3.21%	
13,725	Crane Company	\$ <u>357,536</u>
	Health Care – 2.38%	
12,900	Orthodontic Centers of America, Inc. *	<u>264,450</u>
	Industrial Services – 3.17%	
11,300	ABM Industries, Inc.	<u>353,125</u>
	Machinery – 7.63%	
6,700	Briggs & Stratton	257,079
9,000	Moog, Inc. *	319,500
11,000	Manitowoc Co., Inc.	<u>272,800</u>
		<u>849,379</u>
	Manufacturing – 2.84%	
13,500	National Service Industries, Inc.	<u>316,575</u>
	Networking Products – 1.64%	
21,000	Adaptec, Inc. *	<u>182,110</u>
	Oil Exploration & Production – 2.43%	
13,300	Vintage Petroleum, Inc.	<u>270,655</u>
	Packaging and Containers – 3.54%	
8,600	Ball Corp.	<u>394,482</u>
	Pharmaceuticals – 1.76%	
6,000	Alpharma, Inc.	<u>196,440</u>
	Recreation – 2.54%	
6,250	Polaris Industries, Inc.	<u>282,500</u>
	Restaurant – 3.19%	
34,219	NPC International, Inc.	<u>355,022</u>
	Retail – 2.25%	
17,100	Regis Corp.	<u>250,087</u>
	Semiconductors – 1.69%	
11,000	PRI Automation, Inc. *	<u>188,375</u>
	Textile – 3.27%	
8,500	Spring Industries, Inc.	<u>363,800</u>
	Thrift – 2.68%	
12,155	Washington Federal, Inc.	<u>298,557</u>
	Tobacco – 2.94%	
8,300	Universal Corp.	<u>327,269</u>
	Tools – 2.80%	
9,450	Stanley Works Co.	<u>311,377</u>

Total Common Stocks (Cost \$10,426,044)

11,001,387

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2001

<u>Principal Amount</u>			<u>Value (Note 1-A)</u>
	<u>SHORT-TERM INVESTMENTS</u> – 3.13%		
	Federated Treasury		
\$348,243	(Cost \$348,243)		\$ 348,243
	Total Investments (Cost \$10,774,287) (a)	101.94%	11,349,630
	Other Liabilities in Excess of Other Assets – Net	<u>(1.94)%</u>	<u>(215,871)</u>
	Net Assets	<u>100.00%</u>	<u>\$ 11,133,759</u>

* *Non income producing security*

(a) *Aggregate cost for federal income tax purpose is \$10,774,287.*

At March 31, 2001, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 1,684,623
Gross unrealized depreciation	<u>(1,109,281)</u>
Net unrealized appreciation	<u>\$ 575,343</u>

See accompanying notes to financial statements

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2001

ASSETS

Investments at market value, (Identified cost \$10,774,287) (Note 1-A)	\$ 11,349,630
Receivable for investment securities sold	38,590
Interest receivable	2,697
Dividends receivable	7,001
Due from advisor	2,506
Other assets	<u>11,109</u>
Total assets	<u>11,411,533</u>

LIABILITIES

Cash overdraft	197,446
Payable for investment securities purchased	66,432
Other payable	614
Advisory fee payable	8,315
Service fees payable	<u>4,967</u>
Total liabilities	<u>277,774</u>

NET ASSETS

(Applicable to 1,031,241 shares outstanding, unlimited shares authorized) \$ 11,133,759

NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$11,133,759 ÷ 1,031,241 shares) \$10.80

NET ASSETS

At March 31, 2001, net assets consisted of:	
Paid-in capital	\$ 10,520,995
Accumulated net realized loss on investments	(22,286)
Undistributed net investment income	59,707
Net unrealized appreciation	<u>575,343</u>
	<u>\$ 11,133,759</u>

See accompanying notes to financial statements

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2001

INVESTMENT INCOME

Income

Dividends	\$ 190,124
Interest income	<u>37,790</u>

Total income	<u>227,914</u>
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Expenses

Management fee (<i>Note 2</i>)	111,591
Service fees (<i>Note 2</i>)	<u>55,795</u>

Total expenses	<u>167,386</u>
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Net investment income	<u>60,528</u>
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NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain from security transactions	934,005
Change in unrealized appreciation of investments	<u>1,297,374</u>

Net gain on investments	<u>2,231,379</u>
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$2,291,907</u>
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See accompanying notes to financial statements

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income	\$ 60,528	\$ 69,137
Net realized gain on investments appreciation	934,005	712,874
Change in unrealized depreciation of investments	<u>1,297,374</u>	<u>(179,827)</u>
Net increase in assets resulting from operations	<u>2,291,907</u>	<u>602,184</u>
Distributions to shareholders from		
Net investment income (\$0.00 and \$0.06 per share)	-	(76,271)
Realized gains (\$0.09 and \$1.15 per share, respectively)	<u>(98,877)</u>	<u>(1,432,888)</u>
Total distributions	<u>(98,877)</u>	<u>(1,509,159)</u>
Capital share transactions (a)		
Increase (decrease) in net assets resulting from capital share transactions	<u>(2,551,205)</u>	<u>308,766</u>
Total decrease in net assets	(358,175)	(598,209)
NET ASSETS		
Beginning of year	<u>11,491,934</u>	<u>12,090,143</u>
End of year		
(including undistributed net investment income of \$59,707 and \$0, respectively)	<u>\$ 11,133,759</u>	<u>\$ 11,491,934</u>

(a) **Summary of capital share activity follows:**

	<u>2001</u>		<u>2000</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	192,983	\$ 1,960,064	171,424	\$ 1,809,754
Shares issued on reinvested of distributions	<u>10,037</u>	<u>97,774</u>	<u>166,795</u>	<u>1,492,812</u>
	203,020	(2,057,838)	338,219	3,302,566
Shares redeemed	<u>(467,817)</u>	<u>(4,609,043)</u>	<u>(307,128)</u>	<u>(2,993,800)</u>
Net increase (decrease)	<u>(264,797)</u>	<u>\$ (2,551,205)</u>	<u>31,091</u>	<u>\$ 308,766</u>

See accompanying notes to financial statements

CORNERCAP SMALL-CAP VALUE FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

	Years Ended March 31,				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Per Share Operating Performance					
Net asset value, beginning of year	\$ 8.87	\$ 9.56	\$ 14.85	\$ 11.68	\$ 9.81
Income from investment operations –					
Net investment income	.06	.06	.04	.21	.02
Net realized and unrealized gain (loss) on investments	<u>1.96</u>	<u>.46</u>	<u>(3.85)</u>	<u>5.05</u>	<u>1.93</u>
Total from investment operations	<u>2.02</u>	<u>.52</u>	<u>(3.81)</u>	<u>5.26</u>	<u>1.95</u>
Less distributions from					
Net investment income	-	(.06)	-	(.22)	(.01)
Realized gains	<u>(.09)</u>	<u>(1.15)</u>	<u>(1.48)</u>	<u>(1.87)</u>	<u>(.07)</u>
Total distributions	<u>(.09)</u>	<u>(1.21)</u>	<u>(1.48)</u>	<u>(2.09)</u>	<u>(.08)</u>
Net asset value, end of year	<u>\$10.80</u>	<u>\$8.87</u>	<u>\$ 9.56</u>	<u>\$ 14.85</u>	<u>\$11.68</u>
Total Return	22.91%	5.30%	(25.98)%	47.69%	19.94%
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of year (\$000)	\$11,134	\$11,492	\$12,090	\$17,942	\$12,856
Ratios to average net assets					
Expenses	1.50%	1.50%	1.50%	1.56%	1.71%
Net investment income		.53%	.23%	.17%	.19%
Portfolio turnover rate	62.13%	37.13%	39.16%	48.82%	37.13%

See accompanying notes to financial statements

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CornerCap Small-Cap Value Fund, (the "*Fund*") is a series of shares of CornerCap Group of Funds. CornerCap Group of Funds was organized on January 6, 1986 as a Massachusetts Business Trust and is registered under the Investment Company Act of 1940 as a diversified open-end management investment company. Investment operations commenced on July 17, 1986. The following is a summary of significant accounting policies followed by the Fund in the preparation of the financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America. The Fund's investment objective is to obtain long-term capital appreciation.

- A. **Security Valuation** – Portfolio securities that are listed on national securities exchanges or the NASDAQ National Market System are valued at the last sale price as of 4:15 p.m. Eastern Standard time, or in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchanges or such System. Unlisted securities that are not included in such System are valued at the mean of the quoted bid and asked prices in the over-the-counter-market. Securities and other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Advisor under procedures established by and under the general supervision and responsibility of the Fund's Board of Trustees. Short-term investments are valued at amortized cost, if their original maturity was 60 days or less, or by amortizing the values as of the 61st day prior to maturity, if their original term to maturity exceeded 60 days.
- B. **Security Transactions, Investment Income and Other** – Security transactions are recorded on the next business date after trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.
- C. **Federal Income Taxes** – It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income to its shareholders. In addition, the Fund intends to pay distributions as required to avoid imposition of excise tax. Therefore, no federal income tax provision is required.

At March 31, 2001, the Fund had net realized capital losses of approximately \$22,300 which may be utilized in future years to offset net realized capital gains.

- D. **Distributions to Shareholders** – Distributions from net investment income and realized gains, if any, are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.
 - E. **Accounting Estimates** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
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CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2001

(2) TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS

The Fund has an investment advisory agreement with CornerCap Investment Counsel, Inc. (the “*Advisor*”), pursuant to which the Advisor receives a fee, computed daily and payable monthly, at an annual rate of 1.0% of the average daily net assets.

In addition, the Fund has a service agreement with the Advisor, pursuant to which the Advisor receives a fee, computed daily and payable monthly, at an annual rate of .50% of average net assets.

The Advisor will provide day to day operational services to the Fund including, but not limited to, providing or arranging to provide accounting, administrative, legal (except litigation), dividend disbursing, transfer agent, registrar, custodial, shareholder reporting, sub accounting and recordkeeping services. All fees and expenses associated with these and other functions including, but not limited to, expenses of legal compliance, shareholder communication and meetings of the shareholders and the Board of Trustees will be paid by the Advisor.

(3) PURCHASES AND SALES OF SECURITIES

For the year ended March 31, 2001, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$6,520,307 and \$8,420,397 respectively.
