



CORNERCAP
BALANCED FUND

CORNERCAP
SMALL-CAP VALUE FUND

CORNERCAP
EMERGING GROWTH FUND

ANNUAL REPORT TO SHAREHOLDERS

**FOR THE FISCAL YEAR ENDED
MARCH 31, 2002**

The Peachtree, Suite 1700
1355 Peachtree Street, NE
Atlanta, Georgia 30309

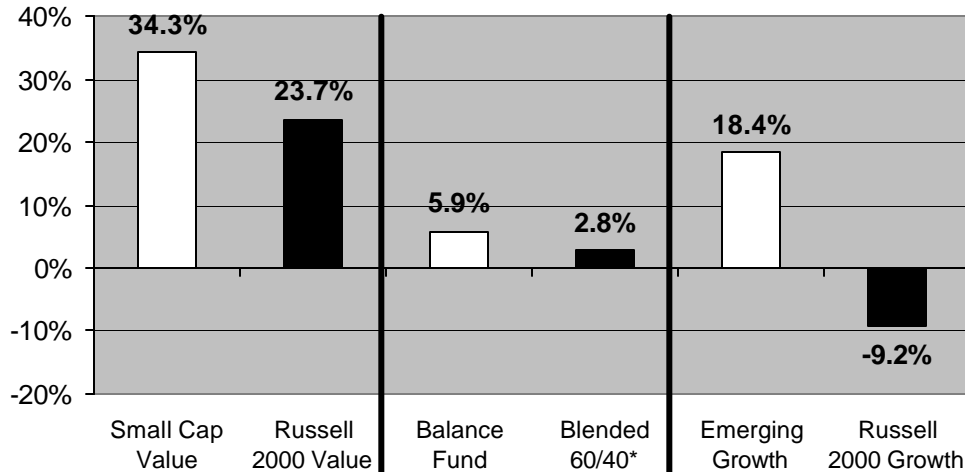
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CornerCap Group of Funds
Manager's Report for the Shareholders
For the year ended March 31, 2002

Dear Shareholder:

For the fiscal year ending March 31, 2002, your CornerCap mutual funds each performed exceptionally well. Most investors continue to view the last two years as a significant bear market. We are pleased to be able to report that this has not been the experience of our shareholders. The returns for the CornerCap funds and their primary benchmarks for our most recent fiscal year are as follows:

Returns for the Fiscal Year Ending March 31, 2002**



* Blended 60/40 = 60% S&P 500 Index + 40% Lehman Govt/Corp Bond Index

** The performance table and graphs do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of shares.

Our firm's success depends on our being able to deliver superior returns to our investors over time. Another critical factor that is currently in the process of being rediscovered by investors is that a successful firm must also deliver "superior risk," i.e., control risk relative to that return. Literally any amateur investor or financial salesman can deliver an exceptionally high return some of the time. However, their period of success tends to be brief, and the potential for disaster seems almost certain. The founders of CornerCap have been managing client investments together for 23 years. We look forward to our next 23 years of managing client assets, which means that we will continue to value the importance of controlling risks.

The key to risk control is true diversification. We have in place a return-seeking investment process for selecting the securities in the three funds that CornerCap manages. Each fund holds 40 or more securities, and there are essentially no securities that are held in more than one fund, i.e. almost no overlapping holdings. We also broadly diversify our stock holdings across industries and sectors to further diversify and control risks. In addition, the CornerCap Group of Funds offers several other funds which CornerCap does not manage. These funds offer additional diversification – international equities, conservative bonds, high yield bonds, etc. These funds are managed by Federated Investors. All of our funds are no-loads and no commissions when investing direct with our mutual fund company. Our objective is to offer high quality investments at a reasonable cost across a full range of risk and return profiles.

We have added some additional services for our shareholders. We can now deliver quarterly statement(s) to you by email or fax, in addition to or in place of your printed statement. Also, if you are invested in multiple CornerCap funds and/or have multiple accounts (e.g. IRA, taxable account, spouse's accounts) with CornerCap, we can show these accounts and statements on individual reports, as we have always done, or we can combine them onto a single statement – it's your choice. Please let us know if you would like to take advantage of any of these new reporting facilities. Thank you for trusting CornerCap with your investments, and let us know if we can be of further service to you or your friends.

CornerCap Investment Counsel
May 30, 2002

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL**

**Shareholders and Board of Trustees
CornerCap Group of Funds
Atlanta, Georgia**

In planning and performing our audit of the financial statements of CornerCap Small Cap Value Fund, CornerCap Balanced Fund and CornerCap Emerging Growth Fund, each a series of shares of CornerCap Group of Funds, for the year ended March 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with the requirements of Form N-SAR, not to provide assurance on internal control.

The management of the Funds is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. Generally, controls that are relevant to an audit pertain to the entity's objective of preparing financial statements for external purposes that are fairly presented in conformity with accounting principles generally accepted in the United States of America. Those controls include the safeguarding of assets against unauthorized acquisition, use, or disposition.

Because of inherent limitations in internal control, error or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that it may become inadequate because of changes in conditions or that the effectiveness of the design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation, including controls for safeguarding securities, that we consider to be material weaknesses, as defined above as of March 31, 2002.

This report is intended solely for the information and use of management and the Board of Directors of CornerCap Group of Funds and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

**Philadelphia, Pennsylvania
May 9, 2002**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Shareholders and Board of Trustees
CornerCap Balanced Fund
Atlanta, Georgia**

We have audited the accompanying statement of assets and liabilities of CornerCap Balanced Fund, including the portfolio of investments, as of March 31, 2002, 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 periods presented. 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, 2002, by correspondence with the custodian. 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 Balanced Fund as of March 31, 2002, 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 periods presented in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

**Philadelphia, Pennsylvania
May 9, 2002**

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	COMMON STOCKS – 58.5%	
	Aerospace – 4.9%	
2,000	Boeing Co.	\$ 96,500
2,900	Goodrich BF Co.	91,756
1,600	United Technologies Corp.	<u>118,720</u>
		<u>306,976</u>
	Apparel Manufacturers – 3.2%	
2,600	Jones Apparel Group, Inc. *	90,870
2,500	VF Corp.	<u>108,125</u>
		<u>198,995</u>
	Appliances – 1.8%	
2,500	Maytag Corp.	<u>110,625</u>
	Automotive – 1.4%	
5,200	Ford Motor Co.	<u>85,748</u>
	Bank – 1.3%	
2,200	Wachovia Corp.	<u>81,576</u>
	Beverages – 2.2%	
2,600	Anheuser-Busch Companies, Inc.	<u>135,720</u>
	Building Materials – 1.4%	
1,600	PPG Industries, Inc.	<u>87,856</u>
	Communications – 2.8%	
2,400	Telefonos de Mexico – ADR	96,936
1,700	Verizon Communications, Inc.	<u>77,605</u>
		<u>174,541</u>
	Cosmetics – 1.5%	
1,400	Kimberly-Clark Corp.	<u>90,510</u>
	Diversified – 3.3%	
3,300	Dynegy, Inc. – CIA	95,700
2,300	Norsk Hydro ASA – ADR	<u>110,193</u>
		<u>205,893</u>
	Electric Components – 1.1%	
4,200	LSI Logic Corp. *	<u>71,400</u>
	Electric Lighting and Wiring Equipment – 1.5%	
1,050	Johnson Controls, Inc.	<u>92,726</u>
	Electrical Utilities – 3.4%	
2,000	DTE Energy Corp.	91,000
3,400	First Energy Corp.	<u>117,572</u>
		<u>208,572</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	COMMON STOCKS – 58.5%	
	Financial Services – 5.9%	
1,500	Comerica, Inc.	93,855
2,000	Countrywide Credit Industry, Inc.	89,500
2,960	JP Morgan Chase & Co.	105,524
2,000	MBNA Corp.	<u>77,140</u>
		<u>366,019</u>
	Food – 2.8%	
2,000	Safeway, Inc.*	90,040
4,000	Sara Lee Corp.	<u>83,040</u>
		<u>173,080</u>
	Health Insurance – 1.5%	
900	Cigna Corp.	<u>91,251</u>
	Machinery – 2.9%	
1,600	Briggs & Stratton Corp.	73,600
1,900	Caterpillar, Inc.	<u>108,015</u>
		<u>181,615</u>
	Manufacturing – 1.5%	
2,815	Tyco International	<u>90,981</u>
	Medical – 6.0%	
1,300	Barr Laboratories, Inc. *	85,137
6,200	Elan Corp. PLC – ADR *	86,242
2,200	Guidant Corp. *	95,304
3,300	ICN Pharmaceuticals, Inc.	<u>104,775</u>
		<u>371,458</u>
	Metals – 1.2%	
2,000	Alcoa, Inc.	<u>75,480</u>
	Oil Industry – 3.4%	
2,400	Ashland, Inc.	109,224
2,400	Nabors Industries, Inc.*	<u>101,400</u>
		<u>210,624</u>
	Retail – 1.7%	
12,000	K-Mart Corp. *	19,200
2,500	May Department Stores Co.	<u>87,125</u>
		<u>106,325</u>
	Thrift – 1.8%	
4,596	Washington Federal, Inc.	<u>110,028</u>
	Total Common Stocks (Cost \$3,297,790)	<u>3,627,999</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Principal Amount</u>		<u>Value (Note 1-A)</u>
	<u>CORPORATE BONDS – 21.3%</u>	
	Communications – 2.4%	
\$150,000	BellSouth 6.000%, Due 10/15/11	\$ 146,179
	Electrical Utilities – 2.5%	
150,000	National Rural Utilities Cooperative Finance Group 6.375%, Due 10/15/04	<u>153,290</u>
	Electronic Components – 2.5%	
150,000	Sony Corp. 6.125%, Due 03/04/03	<u>154,211</u>
	Entertainment – 3.3%	
200,000	Walt Disney Co. 6.750%, Due 03/30/06	<u>205,085</u>
	Financial Service – 10.6%	
150,000	Merrill Lynch & Co., Inc. 6.375%, Due 10/15/08	151,417
200,000	Nations Bank Corp. 6.375%, Due 05/15/05	205,758
150,000	Norwest Financial, Inc. 6.250%, Due 12/15/07	151,806
150,000	Walmart Stores, Inc. 6.750%, Due 05/15/02	<u>150,780</u>
		<u>659,761</u>
	Total Corporate Bonds (Cost \$1,317,980)	<u>1,318,526</u>
	 <u>U.S. GOVERNMENT BONDS – 11.6%</u>	
	U.S. Treasury Notes	
\$140,000	6.500%, Due 08/15/05	\$ 148,909
100,000	6.500%, Due 10/15/06	106,566
100,000	6.125%, Due 08/15/07	105,074
200,000	5.500%, Due 05/15/09	202,484
150,000	5.750%, Due 08/15/10	<u>153,217</u>
	Total Government Bonds (Cost \$714,300)	<u>716,250</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Principal Amount</u>			<u>Value (Note 1-A)</u>
	<u>SHORT-TERM INVESTMENTS</u> – 4.8%		
\$300,080	Federated Treasury (Cost \$300,080)		\$ 300,080
	Total Investments (Cost \$5,630,150) (a)	96.2%	5,962,855
	Other Assets and Liabilities, Net	<u>3.8%</u>	<u>235,501</u>
	Net Assets	<u>100.00%</u>	<u>\$ 6,198,356</u>

* *Non-income producing security*

ADR – American Depositary Receipt

(a) Aggregate cost for federal income tax purpose is \$5,630,150.

At March 31, 2002, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 592,838
Gross unrealized depreciation	<u>(260,133)</u>
Net unrealized appreciation	<u>\$ 332,705</u>

CORNERCAP BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2002

ASSETS

Investments at market value, (Identified cost \$5,630,150) (<i>Note 1-A</i>)	\$ 5,962,855
Cash	205,166
Interest receivable	39,080
Dividends receivable	4,412
Other assets	<u>1,515</u>
Total assets	<u>6,213,028</u>

LIABILITIES

Payable for fund shares redeemed	\$ 8,000
Advisory fee payable	5,132
Service fees payable	<u>1,540</u>
Total liabilities	<u>14,672</u>

NET ASSETS

(Applicable to 528,732 shares outstanding, unlimited number of shares authorized)	<u>\$ 6,198,356</u>
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NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$6,198,356 ÷ 528,732 shares)	<u>\$11.72</u>
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NET ASSETS

At March 31, 2002, net assets consisted of:	
Paid-in capital	\$ 6,118,385
Undistributed net investment income	84,806
Accumulated net realized loss on investments	(337,540)
Net unrealized appreciation of investments	<u>332,705</u>
	<u>\$ 6,198,356</u>

CORNERCAP BALANCED FUND

STATEMENT OF OPERATIONS

For the year ended March 31, 2002

INVESTMENT INCOME

Dividends (net of foreign tax withheld of \$406)	\$ 68,672
Interest	<u>110,296</u>
Total income	<u>178,968</u>

Expenses

Management fee (<i>Note 2</i>)	53,951
Service costs (<i>Note 2</i>)	<u>16,185</u>
Total expenses	<u>70,136</u>
Net investment income	<u>108,832</u>

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized loss from security transactions	(13,204)
Change in unrealized appreciation of investments	<u>186,366</u>
Net gain on investments	<u>173,162</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 281,994</u>
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CORNERCAP BALANCED FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income	\$ 108,832	\$ 132,581
Net realized loss on investments	(13,204)	(171,616)
Change in unrealized appreciation/depreciation of investments	<u>186,366</u>	<u>402,767</u>
Net increase in net assets resulting from operations	<u>281,994</u>	<u>363,732</u>
Distributions to shareholders from		
Net investment income		
(\$0.22 and \$0.34 per share, respectively)	(104,840)	(130,891)
Capital gains		
(\$0.00 and \$0.03 per share, respectively)	<u>-</u>	<u>(13,184)</u>
	<u>(104,840)</u>	<u>(144,075)</u>
Capital share transactions (a)		
Increase (decrease) in net assets resulting from capital share transactions	<u>1,525,416</u>	<u>(153,912)</u>
Total increase in net assets	1,702,570	65,745
NET ASSETS		
Beginning of year	<u>4,495,786</u>	<u>4,430,041</u>
End of year		
(Including undistributed net investment income of \$84,806 and \$95,445, respectively)	<u>\$ 6,198,356</u>	<u>\$ 4,495,786</u>

(a) Summary of capital share activity follows:

	<u>2002</u>		<u>2001</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	149,396	\$ 1,747,154	63,016	\$ 704,463
Shares issued on reinvestment of distributions	<u>9,112</u>	<u>104,784</u>	<u>12,883</u>	<u>144,025</u>
	158,508	1,851,938	75,899	848,488
Shares redeemed	<u>(28,194)</u>	<u>(326,522)</u>	<u>(91,282)</u>	<u>(1,002,400)</u>
Net increase (decrease)	<u>130,314</u>	<u>\$ 1,525,416</u>	<u>(15,383)</u>	<u>\$ (153,912)</u>

CORNERCAP BALANCED FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

	For The Year Ended March 31, 2002 (c)	For The Year Ended March 31, 2001	For The Year Ended March 31, 2000	For The Year Ended March 31, 1999	For The Period June 1, 1997 To March 31, 1998 (a)	For The Period May 24, 1997* To May 31, 1997
Per Share Operating Performance						
Net asset value, beginning of period	\$ 11.28	\$ 10.71	\$ 11.62	\$ 12.21	\$ 32.99	\$ 33.20
Income from investment operations –						
Net investment income	.14	.40	.36	.21	.24	.01
Net realized and unrealized gain (loss) on investments	.52	.54	(.66)	(.26)	2.20	(.22)
Total from investment operations	<u>.66</u>	<u>.94</u>	<u>(.30)</u>	<u>(.05)</u>	<u>2.44</u>	<u>(.21)</u>
Less distributions from –						
Net investment income	(.22)	(.34)	(.37)	(.07)	(.19)	-
Realized gains	-	(.03)	(.24)	(.47)	(23.03)	-
Total distributions	<u>(.22)</u>	<u>(.37)</u>	<u>(.61)</u>	<u>(.54)</u>	<u>(23.22)</u>	<u>-</u>
Net asset value, end of period	<u>\$ 11.72</u>	<u>\$ 11.28</u>	<u>\$ 10.71</u>	<u>\$ 11.62</u>	<u>\$ 12.21</u>	<u>\$ 32.99</u>
Total Return	5.89%	8.91%	(2.89)%	(.46)%	19.13%	(.60)%
RATIOS/SUPPLEMENTAL DATA						
Net assets, end of period (\$000)	\$6,198	\$4,496	\$4,430	\$4,498	\$2,294	\$2,093
Ratios to average net assets (b)						
Expenses	1.30%	1.30%	1.32%	1.30%	1.53%**	2.00%**
Net investment income	1.75%	3.03%	3.16%	2.91%	2.80%**	4.50%**
Portfolio turnover rate	26.77%	24.82%	16.38%	38.47%	13.38%	98.90%

** Annualized

Per share amounts have been adjusted for the year ended May 31, 1997 to reflect a 1 for 4 reverse stock split effective June 30, 1997. On June 14, 1997, a capital gain distribution of \$22.91 per share (\$5.73 per share on a pre-split basis) was paid to shareholders. The net asset value per share on June 30, 1997, after the payment of the capital gain distribution and the effect of the 1 for 4 reverse split, was \$10.86 per share.

(a) The Fund changed its year-end from May 31st to March 31st.

(b) Fee waivers reduced the expense ratio and increased the net investment income ratio by 1.25% in 1998.

(c) As required, effective April 1, 2001, the Fund has adopted new provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premiums on debt securities as adjustments to interest income. Had the Fund not adopted these new provisions, the ratio of net investment income to average net assets would have been 1.79%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in presentation.

See accompanying notes to financial statements.

See accompanying notes to financial statements.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CornerCap Balanced Fund (the “*Fund*”) is a series of shares of the 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 May 24, 1997 as a result of the reorganization of the Atlanta Growth Fund (*Note 4*). The investment objective of the Fund is to obtain capital appreciation and current income. 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.

- 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 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 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. Discounts and premiums on securities purchased are amortized over the lives of the respective securities.
- 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, 2002, the Fund had a capital loss carryforward of approximately \$251,000 which expires in 2009 available to offset future gains if any. The Fund had net realized capital losses of \$86,261 during the period November 1, 2001 through March 31, 2002, which are treated for federal income tax purposes as arising during the Fund’s tax year ending March 31, 2003. The “post-October” losses may be utilized in future years to offset net realized capital gains prior to distributing such gains to shareholders.

On December 17, 2001, a distribution of \$.22013 per share was declared. The dividend was paid on December 18, 2001, to shareholders of record on December 14, 2001.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2002

The tax character of distributions paid for the years ended March 31, 2002 and 2001 was as follows:

	<u>2002</u>	<u>2001</u>
Distributions paid from:		
Ordinary income	\$ 104,840	\$ 130,891
Long-term capital gain	<u> -</u>	<u> 13,184</u>
	<u>\$ 104,840</u>	<u>\$ 144,075</u>

As of March 31, 2002, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 84,806
Capital loss carryforward	(251,279)
Unrealized appreciation	<u> 332,705</u>
	<u>\$ 166,232</u>

- 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 accounting principles generally accepted in the United States of America.
- 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.

(2) CHANGE IN ACCOUNTING PRINCIPLE

As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. Prior to March 31, 2001, the Fund did not amortize premiums on debt securities. The cumulative effect of this accounting change had no impact on total net assets of the Fund, but resulted in a \$14,631 reduction in the cost of securities and a corresponding \$14,631 increase in net unrealized gains and losses, based on securities held by the Fund on March 31, 2001. The effect of this change for the year ended March 31, 2002 was to decrease net investment income by \$6,695, increase net unrealized gains and losses by \$1,898, increase net realized gains and losses by \$4,797. As a result, the net investment income per share decreased by \$.04, the net realized and unrealized gains and losses per share increased by \$.04, and the ratio of net investment income to average net assets decreased by .39%.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2002

(3) 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 1.00% 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 .30% 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.

(4) PURCHASES AND SALES OF SECURITIES

For the year ended March 31, 2002, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$2,546,161 and \$1,331,842, respectively.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Shareholders and Board of Trustees
CornerCap Emerging Growth Fund
Atlanta, Georgia**

We have audited the accompanying statement of assets and liabilities of CornerCap Emerging Growth Fund, including the portfolio of investments, as of March 31, 2002, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two periods then ended, and the financial highlights for the periods indicated thereon. 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, 2002, 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 Emerging Growth Fund as of March 31, 2002, the results of its operations for the year ended, the changes in its net assets for each of the two periods then ended, and the financial highlights for the periods indicated thereon in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

**Philadelphia, Pennsylvania
May 9, 2002**

CORNERCAP EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	<u>COMMON STOCKS – 96.3%</u>	
	Applications Software – 4.3%	
7,044	Peregrine Systems, Inc. *	\$ 67,059
17,000	Red Hat, Inc. *	<u>97,053</u>
		<u>164,112</u>
	Agricultural Operations – 2.7%	
4,700	Embrex, Inc. *	97,995
10,000	U.S. Home & Garden, Inc. *	<u>4,200</u>
		<u>102,195</u>
	Apparel – 0.9%	
4,500	Cutter & Buck, Inc. *	<u>32,850</u>
	Collectibles – 1.0%	
12,000	Media Arts Group, Inc. *	<u>38,040</u>
	Commercial Services – 9.0%	
3,000	CoStar Group, Inc. *	68,280
4,200	Plexus Corp. *	99,120
9,000	Summa Industries *	81,450
7,000	TeleTech Holdings, Inc. *	<u>94,010</u>
		<u>342,860</u>
	Computer Services/Equipment – 7.8%	
2,800	Catapult Communications Corp. *	70,672
30,000	Innodata Corp. *	75,000
2,800	Integral Systems, Inc. *	56,700
8,000	NUR Macroprinters, Ltd. *	20,320
30,000	Sento Corp. *	30,600
2,400	Software Spectrum, Inc. *	<u>43,440</u>
		<u>296,732</u>
	Consulting Services – 2.3%	
6,700	Diamond Cluster International, Inc. *	<u>86,564</u>
	Distribution – Wholesale – 2.8%	
4,350	Advanced Marketing Services, Inc. *	104,400
17,100	Ezcony Interamerica, Inc. *	<u>137</u>
		<u>104,537</u>
	Diversified – 4.3%	
700	Morgan Group Holding Co. *	805
5,000	Walter Industries, Inc.	65,000
971	Wing Partners *	<u>97,100</u>
		<u>162,905</u>

See accompanying notes to financial statements.

CORNERCAP EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	COMMON STOCKS – 96.3%	
	Education Services – 1.7%	
5,500	New Horizons Worldwide, Inc. *	<u>65,945</u>
	Electrical Components – 4.9%	
3,900	Cree, Inc. *	53,157
6,700	Kopin Corp. *	61,037
2,000	Molecular Devices Corp. *	36,340
1,000	Silicon Laboratories, Inc. *	<u>35,330</u>
		<u>185,864</u>
	Entertainment – 0.9%	
17,000	New Frontier Media, Inc. *	<u>32,470</u>
	Financial Services 8.5%	
6,000	Actrade Financial Technologies, Ltd. *	92,040
4,200	Metris Companies, Inc.	84,000
8,000	MicroFinancial, Inc.	68,400
1,600	Radian Group, Inc.	<u>78,528</u>
		<u>322,968</u>
	Food Products – 0.0%	
4,000	Suprema Specialties, Inc. *	<u>40</u>
	Industrial Services – 0.4%	
4,700	MFRI, Inc. *	<u>14,339</u>
	Insurance – 1.0%	
2,000	Annuity and Life Re (Holdings), Ltd. *	<u>38,700</u>
	Internet Services – 1.6%	
2,500	FreeMarkets, Inc. *	57,425
10,000	Navidec, Inc. *	<u>4,200</u>
		<u>61,625</u>
	Medical Products – 14.9%	
17,900	Abaxis, Inc. *	114,560
9,000	Bio-Vascular, Inc. *	74,430
3,000	Cytoc Corporaiton *	80,760
7,517	Interpore International, Inc. *	84,190
20,000	Laser Vision Centers, Inc. *	62,000
25,000	Vasomedical, Inc. *	71,525
2,500	Young Innovations, Inc. *	<u>80,000</u>
		<u>567,465</u>
	Medical Services – 2.6%	
5,000	Air Methods Corp. *	36,250
3,000	Pharmaceutical Resources, Inc. *	<u>63,570</u>
		<u>99,820</u>
	Multimedia – 0.8%	
700	Lynch Interactive Corp. *	<u>30,800</u>

See accompanying notes to financial statements.

CORNERCAP EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
	<u>COMMON STOCKS – 96.3%</u>	
	Networking Products – 1.6%	
10,000	3Com Corp. *	61,100
	Oil – Field Services – 2.5%	
9,000	Key Energy Services, Inc. *	96,480
	Rehabilitation Centers – 2.2%	
2,900	RehabCare Group, Inc. *	82,650
	Research & Development – 1.4%	
1,650	URS Corp. *	52,305
	Service Contracts – 0.0%	
2,800	Warrantech Corp. *	1,652
	Steel – 2.8%	
6,500	Maverick Tube Corp. *	106,080
	Telecommunications – 10.7%	
17,600	ClearOne Communications, Inc. *	288,640
1,155	Comverse Technology, Inc. *	14,634
700	Sunshine PCS Corp. *	770
15,000	XETA Technologies, Inc. *	100,500
		<u>404,544</u>
	Tobacco – 2.3%	
4,500	Standard Commercial Corp.	86,490
	Wireless Equipment – 0.4%	
1,600	@Track Communications, Inc. *	3,552
9,500	NEXIQ Technologies, Inc. *	13,300
		<u>16,852</u>
	Total Common Stocks (Cost \$4,029,170)	<u>3,658,984</u>
	<u>SHORT-TERM INVESTMENTS – 2.2%</u>	
	Federated Treasury	
\$81,739	(Cost \$81,739)	81,739
	Total Investments (Cost \$4,110,909) (a)	98.5% 3,740,723
	Other Assets – Net	<u>1.5% 56,802</u>
	Net Assets	<u>100.0% \$ 3,797,525</u>
	* <i>Non income producing security</i>	
	(a) <i>Aggregate cost for federal income tax purpose is \$4,110,909.</i>	
	At March 31, 2002, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:	
	Gross unrealized appreciation	\$ 932,268
	Gross unrealized depreciation	<u>(1,302,454)</u>
	Net unrealized depreciation	<u>\$ (370,186)</u>

See accompanying notes to financial statements.

CORNERCAP EMERGING GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2002

ASSETS

Investments at market value, (Identified cost \$4,110,909) (<i>Note 1-A</i>)	\$ 3,740,723
Cash	76,569
Interest receivable	148
Dividends receivable	<u>400</u>
Total assets	<u>3,817,840</u>

LIABILITIES

Payable for investment securities purchased	14,670
Advisory fee payable	4,077
Service fees payable	<u>1,568</u>
Total liabilities	<u>20,315</u>

NET ASSETS

(Applicable to 420,197 shares outstanding, unlimited shares authorized) \$ 3,797,525

NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$3,797,525 ÷ 420,197 shares) \$9.04

NET ASSETS

At March 31, 2002, net assets consisted of:

Paid-in capital	\$ 4,566,523
Accumulated net realized gain/loss on investments	(398,812)
Net unrealized depreciation	<u>(370,186)</u>
	<u>\$ 3,797,525</u>

CORNERCAP EMERGING GROWTH FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2002

INVESTMENT INCOME

Income

Dividends	\$ 2,245
Interest income	<u>13,443</u>
Total income	<u>15,688</u>

Expenses

Management fee (<i>Note 2</i>)	50,341
Service fees (<i>Note 2</i>)	<u>18,492</u>
Total expenses	<u>68,833</u>
Net investment loss	<u>(53,145)</u>

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized loss from security transactions	(236,743)
Change in unrealized appreciation of investments	<u>917,047</u>
Net gain on investments	<u>680,304</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 627,159

CORNERCAP EMERGING GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2002 and 2001

	<u>2002</u>	<u>2001*</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment loss	\$ (53,145)	\$ (39,803)
Net realized gain (loss) on investments	(236,743)	457,851
Change in unrealized depreciation of investments	<u>917,047</u>	<u>(2,043,850)</u>
Net increase (decrease) in assets resulting from operations	<u>627,159</u>	<u>(1,625,802)</u>
Distributions to shareholders from		
Realized gains (\$1.69 and \$0.00 per share, respectively)	<u>(619,921)</u>	<u>-</u>
Capital share transactions (a)		
Increase in net assets resulting from capital share transactions	<u>361,636</u>	<u>5,054,453</u>
Total increase in net assets	368,874	3,428,651
NET ASSETS		
Beginning of period	<u>3,428,651</u>	<u>-</u>
End of period	<u>\$ 3,797,525</u>	<u>\$ 3,428,651</u>

(a) Summary of capital share activity follows:

	<u>2002</u>		<u>2001</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	18,259	\$ 169,366	30,388	\$ 407,207
Shares issued in connection with acquisition of limited partnership	-	-	365,522	4,845,264
Shares issued on reinvested of distributions	<u>64,006</u>	<u>585,654</u>	<u>-</u>	<u>-</u>
	82,265	755,020	395,910	5,252,471
Shares redeemed	<u>(41,136)</u>	<u>(393,384)</u>	<u>(16,842)</u>	<u>(198,018)</u>
Net increase	<u>41,129</u>	<u>\$ 361,636</u>	<u>379,068</u>	<u>\$ 5,054,453</u>

* Commencement of operations was July 27, 2000.

CORNERCAP EMERGING GROWTH FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

	Year Ended March 31, 2002	July 27, 2000* To March 31, 2001
Per Share Operating Performance		
Net asset value, beginning of period	\$ 9.04	\$ 13.26
Income from investment operations –		
Net investment loss	(0.13)	(0.11)
Net realized and unrealized gain (loss) on investments	<u>1.82</u>	<u>(4.11)</u>
Total from investment operations	<u>1.69</u>	<u>(4.22)</u>
Less Distributions from		
Realized gains	<u>(1.69)</u>	<u>-</u>
Net asset value, end of period	<u>\$ 9.04</u>	<u>\$ 9.04</u>
Total Return	18.42%	(31.83)%
RATIOS/SUPPLEMENTAL DATA		
Net assets, end of period (\$000)	\$3,798	\$3,429
Ratios to average net assets		
Expenses	1.86%	1.90%
Net investment loss	(1.44)%	(1.30)%
Portfolio turnover rate	47.88%	34.20%

* *Commencement of operations*

See accompanying notes to financial statements.

CORNERCAP EMERGING GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CornerCap Emerging Growth 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. The Fund began operations on July 27, 2000.

- 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.

The Fund had net realized capital losses of \$398,812 during the period November 1, 2001 through March 31, 2002, which are treated for federal income tax purposes as arising during the Fund's tax year ending March 31, 2003. The “Post-October” losses may be utilized in future years to offset net realized capital gains prior to distributing such gains to shareholders.

On December 17, 2001, a distribution of \$1.69 per share was declared. The dividend was paid on December 18, 2001, to shareholders of record on December 14, 2001.

The tax character of distributions paid for the periods ended March 31, 2002 and 2001 was as follows:

	<u>2002</u>	<u>2001</u>
Distributions paid from:		
Ordinary income	\$ -	\$ -
Long-term capital gain	<u>619,921</u>	<u>-</u>
	<u>\$ 619,921</u>	<u>\$ -</u>

CORNERCAP EMERGING GROWTH FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2002

As of March 31, 2002, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$	-
Undistributed long-term gain		-
Unrealized depreciation		<u>(370,186)</u>
		<u>\$ (370,186)</u>

- 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 accounting principles generally accepted in the United States of America.
- 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.

(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 1.40% 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, 2002, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$1,553,745 and \$1,694,862, respectively.

(4) ACQUISITION OF LIMITED PARTNERSHIP

On July 27, 2000, the Fund acquired all of the assets of a limited partnership pursuant to a plan of reorganization approved by the partners. The acquisition was accomplished by a tax-free exchange of 365,522 shares valued at \$4,845,264 including \$756,617 in unrealized appreciation.

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, 2002, 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, 2002, by correspondence with the custodian. 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, 2002, 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, 2002**

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
<u>COMMON STOCKS – 93.5%</u>		
Aerospace – 3.4%		
7,300	B.F. Goodrich Co.	\$ 230,972
20,200	GenCorp, Inc.	<u>317,544</u>
		<u>548,516</u>
Apparel – 3.7%		
13,550	Kellwood Co.	329,129
9,300	Footstar, Inc. *	<u>283,557</u>
		<u>612,686</u>
Appliances – 3.7%		
7,500	Maytag Corp.	331,875
13,600	Salton, Inc. *	<u>269,960</u>
		<u>601,835</u>
Audio/Video Products – 2.7%		
8,800	Harman International Industries, Inc.	<u>434,280</u>
Automotives – 7.2%		
12,450	Arvinmeritor, Inc.	360,445
7,900	Superior Industries International, Inc.	385,362
30,100	TBC Corp. *	<u>436,450</u>
		<u>1,182,257</u>
Beverages – 3.0%		
8,900	Constellation Brands Inc. *	<u>489,144</u>
Building Materials – 4.2%		
22,000	Apogee Enterprises, Inc.	268,400
10,500	Centex Construction Products	<u>417,690</u>
		<u>686,090</u>
Chemicals – 2.3%		
16,100	Quaker Chemical Corp.	<u>375,935</u>
Commercial Services – 4.4%		
22,700	Quanta Services, Inc. *	392,483
6,650	Toll Brothers, Inc. *	<u>331,502</u>
		<u>723,985</u>
Consumer Products – 1.9%		
12,000	Blyth, Inc.	<u>318,240</u>
Diversified – 1.9%		
13,100	Standex International Corp.	<u>319,902</u>
Electrical Equipment – 3.8%		
10,400	Ametek Aerospace Products, Inc.	386,984
14,750	CTS Corp.	<u>239,688</u>
		<u>626,672</u>
Financial Services 1.8%		
10,000	FirstMerit Corp.	<u>287,900</u>

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Shares</u>		<u>Value</u> <u>(Note 1-A)</u>
<u>COMMON STOCKS – 93.5%</u>		
Food Processing – 5.1%		
8,000	McCormick & Co.	\$ 409,040
16,000	Smithfield Foods, Inc. *	<u>417,600</u>
		<u>826,640</u>
Furniture – 1.9%		
17,600	Haverty Furniture, Inc.	<u>302,896</u>
Garden Products – 2.2%		
6,000	Toro Co.	<u>357,600</u>
Gas-Distribution – 2.1%		
7,500	Nicor, Inc.	<u>341,625</u>
Holdings Company – 2.0%		
12,025	Crane Company	<u>328,764</u>
Health Care – 4.1%		
13,000	Apria Healthcare Group, Inc. *	318,630
12,900	Orthodontic Centers of America, Inc. *	<u>356,169</u>
		<u>674,799</u>
Industrial Services – 8.2%		
11,300	ABM Industries, Inc.	414,710
10,000	Allete, Inc.	290,900
8,200	Donaldson Co., Inc.	329,722
21,000	General Cable Corp.	<u>299,880</u>
		<u>1,335,212</u>
Machinery – 7.5%		
7,700	Briggs & Stratton	354,200
11,000	Manitowoc Co., Inc.	434,500
13,500	Moog, Inc. *	<u>432,000</u>
		<u>1,220,700</u>
Medical Products – 3.2%		
4,000	Arrow International, Inc.	188,800
10,400	Haemonetics Corp/Mass *	<u>330,096</u>
		<u>518,896</u>
Oil Exploration & Production – 2.0%		
22,300	Vintage Petroleum, Inc.	<u>327,810</u>
Pharmacy Services – 1.7%		
10,500	Syncor International Corp – Del *	<u>286,125</u>
Recreation – 2.4%		
6,250	Polaris Industries, Inc.	<u>398,125</u>
Retail – 3.1%		
65,000	K-Mart Corp. *	104,000
14,100	Regis Corp.	<u>395,928</u>
		<u>499,928</u>

CORNERCAP SMALL-CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2002

<u>Principal Amount</u>		<u>Value (Note 1-A)</u>
	<u>COMMON STOCKS – 93.5%</u>	
	Thrift – 2.0%	
13,370	Washington Federal, Inc.	\$ 320,078
	Tobacco – 2.0%	
8,300	Universal Corp.	326,688
	Total Common Stocks (Cost \$12,029,798)	<u>15,273,328</u>
	<u>SHORT-TERM INVESTMENTS – 5.1%</u>	
	Federated Treasury	
\$827,164	(Cost \$827,164)	\$ 827,164
	Total Investments (Cost \$12,856,962) (a)	98.6% 16,100,492
	Other Assets and Liabilities – Net	<u>1.4% 234,722</u>
	Net Assets	<u>100.0% \$ 16,335,214</u>

* *Non-income producing security*

(a) *Aggregate cost for federal income tax purpose is \$12,856,962.*

At March 31, 2002, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 3,907,454
Gross unrealized depreciation	<u>(663,924)</u>
Net unrealized appreciation	<u>\$ 3,243,530</u>

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2002

ASSETS

Investments at market value, (Identified cost \$12,856,962) (<i>Note 1-A</i>)	\$ 16,100,492
Cash	203,188
Receivable for funds shares sold	24,000
Interest receivable	1,704
Dividends receivable	13,264
Due from advisor	200
Other assets	<u>11,109</u>
Total assets	<u>16,353,957</u>

LIABILITIES

Payable for fund shares redeemed	35
Other payable	614
Advisory fee payable	11,527
Service fees payable	<u>6,567</u>
Total liabilities	<u>18,743</u>

NET ASSETS

(Applicable to 1,192,696 shares outstanding, unlimited shares authorized) \$ 16,335,214

NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$16,335,214 \div 1,192,696 shares) \$13.70

NET ASSETS

At March 31, 2002, net assets consisted of:	
Paid-in capital	\$ 12,528,945
Accumulated net realized gain on investments	562,739
Net unrealized appreciation	<u>3,243,530</u>
	<u>\$ 16,335,214</u>

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2002

INVESTMENT INCOME

Income

Dividends	\$ 177,838
Interest income	<u>18,067</u>
Total income	<u>195,905</u>

Expenses

Management fee (<i>Note 2</i>)	129,721
Service fees (<i>Note 2</i>)	<u>64,860</u>
Total expenses	<u>194,581</u>
Net investment income	<u>1,324</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain from security transactions	1,296,652
Change in unrealized appreciation of investments	<u>2,668,187</u>
Net gain on investments	<u>3,964,839</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 3,966,163

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income	\$ 1,324	\$ 60,528
Net realized gain on investments appreciation	1,296,652	934,005
Change in unrealized depreciation of investments	<u>2,668,187</u>	<u>1,297,374</u>
Net increase in assets resulting from operations	<u>3,966,163</u>	<u>2,291,907</u>
Distributions to shareholders from		
Net investment income (\$0.06 and \$0.00 per share)	(61,031)	-
Realized gains (\$0.66 and \$0.09 per share, respectively)	<u>(711,627)</u>	<u>(98,877)</u>
Total distributions	<u>(772,658)</u>	<u>(98,877)</u>
Capital share transactions (a)		
Increase (decrease) in net assets resulting from capital share transactions	<u>2,007,950</u>	<u>(2,551,205)</u>
Total increase (decrease) in net assets	5,201,455	(358,175)
NET ASSETS		
Beginning of year	<u>11,133,759</u>	<u>11,491,934</u>
End of year (including undistributed net investment income of \$0 and \$59,707, respectively)	<u>\$ 16,335,214</u>	<u>\$ 11,133,759</u>

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

	<u>2002</u>		<u>2001</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	225,032	\$ 2,769,443	192,983	\$ 1,960,064
Shares issued on reinvested of distributions	<u>63,576</u>	<u>760,125</u>	<u>10,037</u>	<u>97,774</u>
	288,608	3,529,568	203,020	2,057,838
Shares redeemed	<u>(127,153)</u>	<u>(1,521,618)</u>	<u>(467,817)</u>	<u>(4,609,043)</u>
Net increase (decrease)	<u>161,455</u>	<u>\$ 2,007,950</u>	<u>(264,797)</u>	<u>\$ (2,551,205)</u>

CORNERCAP SMALL-CAP VALUE FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

	Years Ended March 31,				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Per Share Operating Performance					
Net asset value, beginning of year	\$ 10.80	\$ 8.87	\$ 9.56	\$ 14.85	\$ 11.68
Income from investment operations –					
Net investment income	-	.06	.06	.04	.21
Net realized and unrealized gain (loss) on investments	3.62	1.96	.46	(3.85)	5.05
Total from investment operations	<u>3.62</u>	<u>2.02</u>	<u>.52</u>	<u>(3.81)</u>	<u>5.26</u>
Less distributions from					
Net investment income	(.06)	-	(.06)	-	(.22)
Realized gains	(.66)	(.09)	(1.15)	(1.48)	(1.87)
Total distributions	<u>(.72)</u>	<u>(.09)</u>	<u>(1.21)</u>	<u>(1.48)</u>	<u>(2.09)</u>
Net asset value, end of year	\$ 13.70	\$ 10.80	\$ 8.87	\$ 9.56	\$ 14.85
Total Return	34.33%	22.91%	5.30%	(25.98)%	47.69%
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of year (\$000)	\$16,335	\$11,134	\$11,492	\$12,090	\$17,942
Ratios to average net assets					
Expenses	1.50%	1.50%	1.50%	1.50%	1.56%
Net investment income	.01%	.54%	.53%	.23%	.17%
Portfolio turnover rate	40.71%	62.13%	37.13%	39.16%	48.82%

See accompanying notes to financial statements.

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

(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.

On December 17, 2001, a long-term capital gain distribution of \$0.52 per share and an ordinary income distribution of \$0.20 per share was declared. The dividend was paid on December 18, 2001, to shareholders of record on December 14, 2001.

The tax character of distributions paid for the years ended March 31, 2002 and 2001 was as follows:

	<u>2002</u>	<u>2001</u>
Distributions paid from:		
Ordinary income	\$ 213,981	\$ -
Long-term capital gain	<u>558,677</u>	<u>98,877</u>
	<u>\$ 772,658</u>	<u>\$ 98,877</u>

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2002

As of March 31, 2002, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 20,216
Undistributed long-term gain	542,523
Unrealized appreciation	<u>3,243,530</u>
	<u>\$ 3,806,269</u>

- 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 accounting principles generally accepted in the United States of America.
- 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.

(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, 2002, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$5,305,446 and \$4,997,289 respectively.
