



CORNERCAP
BALANCED FUND

CORNERCAP
SMALL-CAP VALUE FUND

CORNERCAP
MICROCAP FUND

ANNUAL REPORT TO SHAREHOLDERS

FOR THE FISCAL YEAR ENDED

MARCH 31, 2003

The Peachtree, Suite 1700
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Atlanta, Georgia 30309

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CornerCap Group of Funds Manager's Report for the Shareholders For the year ended March 31, 2003

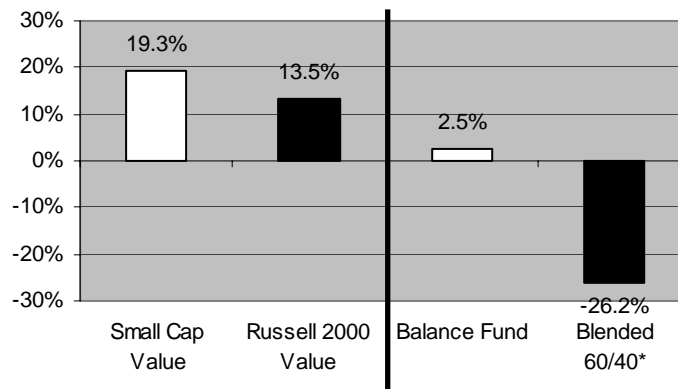
Dear Shareholder:

For the fiscal year ending March 31, 2003, your CornerCap mutual funds all declined. While our declines were in line with the market indices, in the preceding two years we had become accustomed to substantially exceeding the market and appreciating during market declines. Our hope was that this would always be the case, but we know better than to accept terms like "always" and "never" with equity market investments.

For the fiscal year, the S&P 500 and Russell 2000 Indices declined 24.8% and 27.0%, respectively. Our CornerCap Small Cap Value Fund declined 27.4% while the Russell 2000 Value Index declined 23.3%. Our more conservative CornerCap Balanced Fund declined 11.0% for the year while our Blended Index (see "*" note below) declined 10.2%. Our CornerCap Microcap Fund had a difficult year, declining 42.8% while the Russell 2000 Growth Index declined 31.6%.

On a positive note, since the fiscal year end, the above three funds are up 13.6%, 8.8%, and 15.2%, respectively, through May 28, 2003. Also, as noted in the bar graph below, since the beginning of the market crash in March 2000 (3 years), our two larger funds have realized positive returns. These positive returns were realized over a period when the S&P 500 and Russell 2000 Indices were down 41.0% and 28.8%, respectively. For our shareholders (and ourselves since almost every CornerCap employee participates in our funds), we are pleased that these funds have completely avoided the largest bear market since the depression. Note that the Microcap Fund was not initiated until July 31, 2000:

Total Returns from March 31, 2000 to March 31, 2003**



* 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.

We are continuing to work to keep returns up, costs down and services improving for our shareholders. With the non-CornerCap managed no-load funds that we offer, we replaced the Federated International Equity Fund with the American AAdvantage International Equity Fund this year. For these areas where CornerCap does not offer a product, we will be continually reviewing these funds for potentially better alternatives. We also reviewed the costs of our funds with other similar funds on the Morningstar database, and our expenses were at or below the average. We have transitioned to more advanced Transfer Agent and Fund Accounting systems over the last 18 months, making our internal operations and client servicing more efficient, to include offering client reports via email.

In closing, we want to apologize to our shareholders for being mailed two separate account confirmation notices this year by our outside audit firm, Tait, Weller & Baker. The confirmations also noted an incorrect date, thereby making the mailing even more confusing. There was no excuse for these errors, and we have discussed them in detail with our auditors. While we did not create the errors, we are responsible for any person or firm that we engage. Again, we hope this was not too much of an inconvenience for you.

**CornerCap Investment Counsel
May 30, 2003**

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, 2003, 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, 2003, 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, 2003, 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, 2003**

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS</u> – 58.3%	<u>Value</u>
	Aerospace – 3.0%	
2,000	Boeing Corp.	\$ 50,120
2,900	BF Goodrich Co.	40,774
1,600	United Technologies	<u>92,448</u>
		<u>183,342</u>
	Apparel & Household – 2.7%	
2,600	Jones Apparel Group*	71,318
2,500	VF Corp.	<u>94,075</u>
		<u>165,393</u>
	Auto Parts – 1.2%	
1,050	Johnson Controls	<u>76,062</u>
	Banks – Money Center – 8.4%	
2,300	Bank of New York	47,150
2,400	Charter One Financial	66,384
1,500	Comerica, Inc.	56,820
3,900	US Bancorp	74,022
2,200	Wachovia Corp.	74,954
5,056	Washington Federal	106,479
2,400	Washington Mutual	<u>84,648</u>
		<u>510,457</u>
	Chemicals – 1.2%	
1,600	PPG Industries	<u>72,128</u>
	Conglomerate – 2.4%	
2,300	Norsk Hydro	87,377
4,815	Tyco International	<u>61,921</u>
		<u>149,298</u>
	Electric Plant & Equipment – 1.1%	
2,000	Diebold, Inc.	<u>67,880</u>
	Electrical & Gas – 3.0%	
2,000	DTE Energy Co.	77,300
3,400	Firstenergy Corp.	<u>107,100</u>
		<u>184,400</u>
	Energy Equipment – 1.6%	
2,400	Nabors Industries, Inc. *	<u>95,688</u>
	Food – 2.3%	
2,200	HJ Heinz Co.	64,240
4,000	Sara Lee Corp.	<u>74,800</u>
		<u>139,040</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS – 58.3%</u>	<u>Value</u>
	Health Care Services – 2.6%	
1,850	Cigna Corp.	\$ 84,582
2,500	Oxford Health Plan *	<u>75,900</u>
		<u>160,482</u>
	Insurance – 1.1%	
1,200	Everest Re Group, Ltd.	<u>68,652</u>
	Machine Tools – 2.5%	
1,600	Briggs & Stratton	62,144
1,900	Caterpillar, Inc.	<u>93,480</u>
		<u>155,624</u>
	Metals – Steel – 1.2%	
3,850	Alcoa, Inc.	<u>74,613</u>
	Oil – 1.2%	
2,400	Ashland, Inc.	<u>71,208</u>
	Other Financial – 5.6%	
3,200	Allied Capital, Inc.	63,936
1,300	Bear Stearns	85,280
2,000	Countrywide Financial	115,000
5,050	MBNA Corp.	<u>76,002</u>
		<u>340,218</u>
	Pharmaceuticals – 3.8%	
1,950	Barr Laboratories	111,150
2,200	Pfizer, Inc.	68,552
3,100	Schering Plough Co.	<u>55,273</u>
		<u>234,975</u>
	Retailers – Food – 1.1%	
3,450	Safeway Co. *	<u>65,309</u>
	Retailers – Other – 2.6%	
3,600	Abercrombie & Fitch *	108,108
2,500	May Department Stores	<u>49,725</u>
		<u>157,833</u>
	Semiconductors – 0.9%	
11,600	LSI Logic Corp. *	<u>52,432</u>
	Software – 1.2%	
3,400	Sungard Data Systems *	<u>72,420</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS – 58.3%</u>	<u>Value</u>
	Telecom – Other – 3.9%	
2,600	Advancepcs Com *	\$ 73,684
2,400	Telefonos De Mexico	71,328
2,700	Verizon Communications	<u>95,445</u>
		<u>240,457</u>
	Telecom Technology – 1.8%	
6,200	Electronic Data Systems	<u>109,120</u>
	Wholesale & Industrial Services – 1.9%	
4,300	Convergys Corp. *	56,760
3,200	Donnelley & Sons Co.	<u>58,624</u>
		<u>115,384</u>
	Total Common Stocks (Cost \$3,966,065)	<u>\$ 3,562,415</u>
<u>Principal Amount</u>	<u>CORPORATE BONDS – 17.4%</u>	
	Banks – Money Center – 6.4%	
\$200,000	Nationsbank Corp. 6.375%, due 5/15/05	\$ 218,424
150,000	Norwest Financial 6.25%, due 12/15/07	<u>170,207</u>
		<u>388,631</u>
	Electrical & Gas – 2.6%	
150,000	National Rural Utilities * 6.375%, due 10/15/04	<u>159,651</u>
	Retailers – Other – 2.9%	
150,000	Wal-Mart Stores 6.875%, 8/10/09	<u>177,295</u>
	Securities Broker – 2.8%	
150,000	Merrill Lynch & Co. 6.375%, due 10/15/08	<u>168,441</u>
	Wireless Communications – 2.7%	
150,000	Bellsouth Communications 6%, due 10/15/11	<u>167,110</u>
	Total Corporate Bonds (Cost \$973,772)	<u>1,061,128</u>

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Principal Amount</u>	<u>GOVERNMENT BONDS – 18.5%</u>	<u>Value</u>
	U.S. Treasury Bonds – 18.5%	
200,000	5.500%, due 05/15/09	\$ 226,414
100,000	6.500%, due 10/15/06	114,359
150,000	3.000%, due 02/15/08	151,758
100,000	6.125%, due 08/15/07	114,598
140,000	6.500%, due 08/15/05	155,728
180,000	4.875%, due 02/15/12	195,434
150,000	5.750%, due 08/15/10	<u>172,254</u>
	Total Government Bonds (Cost \$1,038,784)	<u>1,130,545</u>

SHORT-TERM INVESTMENTS – 2.7%

\$165,910	Federated Treasury – 2.7% (Cost \$165,910)	<u>\$ 165,910</u>
	Total Investments (Cost \$6,144,531) (a)	96.9% 5,919,998
	Other Assets and Liabilities, Net	<u>3.1% 186,929</u>
	Net Assets	<u>100.00% \$6,106,927</u>

* *Non-income producing security*

ADR – American Depositary Receipt

(a) Aggregate cost for federal income tax purpose is \$6,144,531.

At March 31, 2003, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 435,586
Gross unrealized depreciation	<u>(660,119)</u>
Net unrealized depreciation	<u><u>\$(224,533)</u></u>

CORNERCAP BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2003

ASSETS

Investments at market value, (Identified cost \$6,144,531) (<i>Note 1-A</i>)	\$5,919,998
Cash	153,077
Interest receivable	33,200
Dividends receivable	5,960
Other assets	<u>1,515</u>
Total assets	<u>6,113,750</u>

LIABILITIES

Advisory fee payable	\$ 5,116
Service fees payable	1,535
Other liabilities	<u>172</u>
Total liabilities	<u>6,823</u>

NET ASSETS

(Applicable to 599,746 shares outstanding, unlimited number of shares authorized)	<u>\$6,106,927</u>
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**NET ASSET VALUE, OFFERING AND REPURCHASE
PRICE PER SHARE**

(\$6,106,927, 599,746 shares)	<u>\$10.18</u>
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NET ASSETS

At March 31, 2003, net assets consisted of:	
Paid-in capital	\$6,850,571
Undistributed net investment income	84,498
Accumulated net realized loss on investments	(603,609)
Net unrealized appreciation of investments	<u>(224,533)</u>
	<u>\$6,106,927</u>

CORNERCAP BALANCED FUND

STATEMENT OF OPERATIONS

For the year ended March 31, 2003

INVESTMENT INCOME

Dividends	\$
82,780	
Interest	
<u>122,693</u>	

Total income	<u>205,473</u>
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Expenses

Management fee (<i>Note 2</i>)	59,418
Service costs (<i>Note 2</i>)	<u>17,825</u>

Total expenses	<u>77,243</u>
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Net investment income	<u>128,230</u>
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NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from security transactions	(266,069)
Change in unrealized appreciation of investments	<u>(557,238)</u>

Net loss on investments	<u>(823,307)</u>
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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$(695,077)</u>
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CORNERCAP BALANCED FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income	\$ 128,230	\$ 108,832
Net realized loss on investments	(266,069)	(13,204)
Change in unrealized appreciation/depreciation of investments	<u>(557,238)</u>	<u>186,366</u>
Net increase (decrease) in net assets resulting from operations	<u>(695,077)</u>	<u>281,994</u>
Distributions to shareholders from		
Net investment income (\$0.22 and \$0.22 per share, respectively)	<u>(128,538)</u>	<u>(104,840)</u>
	<u>(128,538)</u>	<u>(104,840)</u>
Capital share transactions (a)		
Increase in net assets resulting from capital share transactions	<u>732,186</u>	<u>1,525,416</u>
Total increase (decrease) in net assets	(91,429)	1,702,570
NET ASSETS		
Beginning of year	<u>6,198,356</u>	<u>4,495,786</u>
End of year (Including undistributed net investment income of \$84,498 and \$84,806, respectively)	<u>\$6,106,927</u>	<u>\$6,198,356</u>

(a) Summary of capital share activity follows:

	<u>2003</u>		<u>2002</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	117,186	\$	1,234,378	149,396
\$ 1,747,154				
Shares issued on reinvestment of distributions	<u>12,309</u>		<u>128,510</u>	<u>9,112</u>
<u>104,784</u>				
	129,495	1,362,888	158,508	1,851,938
Shares redeemed	<u>(59,091)</u>	<u>(630,702)</u>	<u>(28,194)</u>	<u>(326,522)</u>
Net increase	<u>70,404</u>	<u>\$ 732,186</u>	<u>130,314</u>	<u>\$1,525,416</u>

CORNERCAP BALANCED FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

	<u>For The</u> <u>Year Ended</u>	<u>For The</u> <u>Year Ended</u>	<u>For The</u> <u>Year Ended</u>	<u>For The</u> <u>Year Ended</u>	<u>For The</u> <u>Year Ended</u>	<u>For The</u> <u>March 31,</u> <u>2003</u>	<u>For The</u> <u>March 31,</u> <u>2002 (a)</u>	
	<u>2001</u>	<u>2000</u>	<u>1999</u>					
Per Share Operating Performance								
Net asset value, beginning of year						\$11.72	\$11.28	\$10.71
Income from investment operations –								
Net investment income						.20	.14	.40
Net realized and unrealized gain (loss) on investments						(1.52)	.52	.54
Total from investment operations						(1.32)	.66	.94
Less distributions from –								
Net investment income						(.22)	(.22)	(.34)
Realized gains						-	-	(.03)
Total distributions						(.22)	(.22)	(.37)
Net asset value, end of year						\$10.18	\$11.72	\$11.28
Total Return						(11.29)%	5.89%	8.91%
RATIOS/SUPPLEMENTAL DATA								
Net assets, end of year (\$000)						\$6,107	\$6,198	\$4,496
Ratios to average net assets								
Expenses						1.30%	1.30%	1.30%
Net investment income						2.17%	1.75%	3.03%
Portfolio turnover rate						21.88%	26.77%	24.82%

** *Annualized*

(a) 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.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

(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. 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, 2003, the Fund had capital loss carryforwards available to offset future gains if any of approximately \$432,000 of which \$251,000 expires in 2009 and \$181,000 expires in 2011. The Fund had net realized capital losses of \$171,561 during the period November 1, 2002 through March 31, 2003, which are treated for federal income tax purposes as arising during the Fund’s tax year ending March 31, 2004. 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 19, 2002, a distribution of \$.22 per share was declared. The dividend was paid on December 19, 2002, to shareholders of record on December 18, 2002.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2003

The tax character of distributions paid for the years ended March 31, 2003 and 2002 was as follows:

	<u>2003</u>	<u>2002</u>
Distributions paid from:		
Ordinary income	\$ 128,538	\$ 104,840
Long-term capital gain	<u> -</u>	<u> -</u>
	<u>\$ 128,538</u>	<u>\$ 104,840</u>

As of March 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 84,498
Capital loss carryforward	(432,048)
Unrealized depreciation	<u>(396,094)</u>
	<u>\$ (743,644)</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 1.00% 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.

(3) PURCHASES AND SALES OF SECURITIES

For the year ended March 31, 2003, the cost of purchases and the proceeds from sales of securities,

excluding short-term securities, were \$2,142,691 and \$1,218,328, respectively.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of assets and liabilities of CornerCap Micro-Cap Fund, (formerly CornerCap Emerging Growth Fund) including the portfolio of investments, as of March 31, 2003, 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 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, 2003, 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 Micro-Cap Fund as of March 31, 2003, the results of its operations for the year ended, the changes in its net assets for each of the two years 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, 2003**

CORNCERCAP MICRO-CAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS</u> – 93.7%	<u>Value</u>
	Apparel & Household – 1.0%	
1,000	Kenneth Cole Products*	\$ 21,900
	Auto Parts – 1.4%	
6,000	Rockford Corp.*	32,466
	Banks – Money Center – 5.7%	
1,700	First Mutual Bانشare	28,305
1,700	Interchance Financial	29,155
1,200	Itla Capital Corp. *	39,660
2,100	Northrim Bancorp.	30,555
		127,675
	Broadcasting & Publications – 3.6%	
6,600	Clearone Communications * (b)	-
1,155	Comverse Technologies *	13,063
4,600	Ectel Ltd. *	39,192
15,000	Xeta Technology *	28,350
		80,605
	Building Materials – 6.7%	
1,000	Flexsteel Industries	13,450
2,000	Griffon Corp. *	25,800
1,000	Watsco, Inc.	13,680
971	Wings Partnership * (c)	97,100
		150,030
	Chemicals – 0.6%	
1,000	Shulman, Inc.	14,530
	Computers & Peripheral – 2.1%	
5,100	Rimage Corp. *	46,359
	Construction – 2.7%	
2,300	Insituform Tech	30,935
2,800	Matrix Svc. Co. *	29,484
		60,419

CORNCERCAP MICRO-CAP FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS – 93.7%</u>	<u>Value</u>
	Electric Plant & Equipment – 12.0%	
11,000	California Amplifier *	\$ 41,910
1,025	IIVI, Inc. *	17,015
6,700	Kopin Corp. *	33,768
1,200	MTS Sys. Corp. *	12,960
2,800	Plexus Corp. *	25,620
1,800	Regal Beloit Corp.	27,558
1,900	Robbins & Myers, Inc.	25,574
1,000	Rogers Corp. *	29,720
3,200	Stratasys, Inc. *	41,920
2,000	White Electronic *	<u>13,560</u>
		<u>269,605</u>
	Energy Equipment – 4.4%	
3,000	Core Laboratories *	31,200
1,900	Gulf Island Fabrications *	33,212
3,400	Key Island Group *	<u>34,272</u>
		<u>98,684</u>
	Food – 0.8%	
2,250	Embrex, Inc. *	<u>17,775</u>
	Health Care Services – 11.2%	
7,000	Air Methods Corp. *	42,280
2,300	Cytyc Corp. *	30,015
4,167	Interpore International *	33,336
2,000	Medamicus *	14,000
1,000	National Health Invs. *	15,350
1,100	Neogen Corp. *	15,235
1,800	Rehab Care Group	32,130
3,000	Synovis Life *	34,320
500	Vital Signs, Inc.	13,275
950	Young Innovations	<u>20,910</u>
		<u>250,851</u>
	Household Products – 5.2%	
1,700	Artic Cat, Inc.	26,537
1,800	Dominion Homes *	24,480
2,250	Helen of Troy Limited *	29,475
1,900	Movado Group, Inc.	<u>36,100</u>
		<u>116,592</u>
	Insurance – 1.6%	
6,000	Equity Insurance, Inc.	<u>35,100</u>

See accompanying notes to financial statements.

CORNCERCAP MICRO-CAP FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS</u> – 93.7%	<u>Value</u>
	Machine & Engineering – 0.7%	
1,000	Quixote Corp.	\$ 15,800
	Machine Tools – 7.2%	
800	BHA Group Holdings	17,600
1,800	Cascade Corp.	25,920
2,200	Maverick Tube Corp. *	40,920
2,500	Stewart & Stevenson	27,250
2,600	Summa Industries *	21,580
3,100	Walter Industries	<u>27,032</u>
		<u>160,302</u>
	Metals – Steel – 2.6%	
5,000	Commonwealth Industries *	24,700
1,800	Gibraltar Steel Corp.	<u>33,552</u>
		<u>58,252</u>
	Other Financial – 9.0%	
3,000	First Cash Financial *	30,120
2,000	I-Shares Russell 2000 Growth *	76,800
1,000	I-Shares Russell 2000	72,350
9,200	Metris Cos., Inc.	<u>21,620</u>
		<u>200,890</u>
	Paper/Packaging – 1.5%	
3,600	Myers Industries	<u>34,380</u>
	Pharmaceuticals – 0.2%	
100	Pharmaceutical Resources *	<u>4,248</u>
	Retailers – Other – 2.4%	
2,100	Building Materials	27,951
1,400	Cato Corp.	<u>26,656</u>
		<u>54,607</u>
	Telecom Technology – 3.8%	
4,400	Catapult Communications *	27,984
4,500	Inet Technologies *	26,550
1,400	Integral Systems, Inc. *	29,680
7,044	Peregrine Systems * (b)	<u>-</u>
		<u>84,214</u>
	Tobacco – 1.7%	
2,400	Standard Coml. Corp.	<u>37,656</u>

See accompanying notes to financial statements.

CORNCERCAP MICRO-CAP FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS – 93.7%</u>	<u>Value</u>
	Transit – Shipping – 1.3%	
2,300	Cantel Medical Corp.	<u>\$ 29,371</u>
	Wholesale & Industrial Services – 2.8%	
1,500	Sourcecorp *	21,015
7,000	Teletech Holdings *	38,010
2,800	Warrantech Corp. *	<u>3,500</u>
		<u>62,525</u>
	Wireless Communication – 1.5%	
8,000	Cryptlogic *	32,088
1,600	Minorplanet USA *	<u>976</u>
		<u>33,064</u>
	Total Common stocks (Cost \$2,700,934)	<u><u>\$2,097,900</u></u>

Principal

<u>Amount</u>	<u>SHORT-TERM INVESTMENTS – 3.8%</u>	
	Federated Treasury – 3.8%	
\$85,011	(Cost \$85,011)	<u>\$ 85,011</u>
	Total Investments (Cost \$2,785,945) (a)	97.5% \$2,182,911
	Other Assets and Liabilities – Net	<u>2.5%</u> <u>54,896</u>
	Net Assets	<u>100.0%</u> <u>\$2,237,807</u>

* *Denotes Non-Income Producing Security*

(a) Aggregate cost for federal income tax purposes is \$2,785,945

(b) Security is in delisted from the major exchanges.

(c) A security for which market quotations are no longer readily available represents 4.3% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.

At March 31, 2003, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 113,536
Gross unrealized depreciation	<u>(716,570)</u>
Net unrealized depreciation	<u><u>\$(603,034)</u></u>

CORNERCAP MICRO-CAP FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2003

ASSETS

Investments at market value, (Identified cost \$2,785,945) (<i>Note 1-A</i>)	\$2,182,911
Cash	56,003
Interest receivable	14
Dividends receivable	<u>2,254</u>
Total assets	<u>2,241,182</u>

LIABILITIES

Advisory fee payable	2,438
Service fees payable	<u>937</u>
Total liabilities	<u>3,375</u>

NET ASSETS

(Applicable to 432,734 shares outstanding, unlimited shares authorized)	<u>\$2,237,807</u>
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NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE (\$2,237,807 ÷ 432,734 shares)	<u>\$5.17</u>
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NET ASSETS

At March 31, 2003, net assets consisted of:	
Paid-in capital	\$4,608,254
Accumulated net realized loss on investments	(1,767,413)
Net unrealized depreciation	<u>(603,034)</u>
	<u>\$2,237,807</u>

CORNERCAP MICRO-CAP FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2003

INVESTMENT INCOME

Income

Dividends	\$ 8,700
Interest income	<u>2,808</u>
Total income	<u>11,508</u>

Expenses

Management fee (<i>Note 2</i>)	35,280
Service fees (<i>Note 2</i>)	<u>13,569</u>
Total expenses	<u>48,849</u>
Net investment loss	<u>(37,341)</u>

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from security transactions	(1,368,601)
Change in unrealized depreciation of investments	<u>(232,848)</u>
Net loss on investments	<u>(1,601,449)</u>

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ (1,638,790)

CORNERCAP MICRO-CAP FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2003 and 2002

<u>2003</u>	<u>2002</u>	
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment loss	\$ (37,341)	\$ (53,145)
Net realized loss on investments	(1,368,601)	(236,743)
Change in unrealized depreciation of investments	<u>(232,848)</u>	<u>917,047</u>
Net increase (decrease) in assets resulting from operations	<u>(1,638,790)</u>	<u>627,159</u>
Distributions to shareholders from		
Realized gains (\$0.00 and \$1.69 per share, respectively)	<u>-</u>	<u>(619,921)</u>
Capital share transactions (a)		
Increase in net assets resulting from capital share transactions	<u>79,072</u>	<u>361,636</u>
Total increase (decrease) in net assets	<u>(1,559,718)</u>	<u>368,874</u>
NET ASSETS		
Beginning of year	<u>3,797,525</u>	<u>3,428,651</u>
End of year	<u>\$2,237,807</u>	<u>\$3,797,525</u>

(a) Summary of capital share activity follows:

	<u>2003</u>		<u>2002</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	14,650	\$90,511	18,259	\$169,366
Shares issued on reinvested of distributions	<u>-</u>	<u>-</u>	<u>64,006</u>	<u>585,654</u>
	14,650	90,511	82,265	755,020
Shares redeemed	<u>(2,113)</u>	<u>(11,439)</u>	<u>(41,136)</u>	<u>(393,384)</u>
Net increase	<u>12,537</u>	<u>\$79,072</u>	<u>41,129</u>	<u>\$361,636</u>

CORNERCAP MICRO-CAP FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

Year Ended	Year Ended March 31, 2003	To March 31, 2002	July 27, 2000* March 31, 2001
Per Share Operating Performance			
Net asset value, beginning of period	\$ 9.04	\$ 9.04	\$13.26
Income from investment operations –			
Net investment loss	(0.09)	(0.13)	(0.11)
Net realized and unrealized gain (loss) on investments	<u>(3.78)</u>	<u>1.82</u>	<u>(4.11)</u>
Total from investment operations	<u>(3.87)</u>	<u>1.69</u>	<u>(4.22)</u>
Less distributions from			
Realized gains	<u>-</u>	<u>(1.69)</u>	<u>-</u>
Net asset value, end of period	\$ 5.17	\$ 9.04	\$ 9.04
Total Return	(42.81)%	18.42%	(31.83)%
RATIOS/SUPPLEMENTAL DATA			
Net assets, end of period (\$000)	\$2,238	\$3,798	\$3,429
Ratios to average net assets			
Expenses	1.77%	1.86%	1.90%
Net investment loss	(1.36)%	(1.44)%	(1.30)%
Portfolio turnover rate	69.49%	47.88%	34.20%

* Commencement of operations

CORNERCAP MICRO-CAP FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CornerCap Micro-Cap Fund, (formerly 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 \$557,601 during the period November 1, 2002 through March 31, 2003, which are treated for federal income tax purposes as arising during the Fund’s tax year ending March 31, 2004. These “Post-October” losses may be utilized in future years to offset net realized capital gains prior to distributing such gains to shareholders. The Fund has capital loss carryforwards of \$1,209,812 which expire in 2011.

The tax character of distributions paid for the periods ended March 31, 2003 and 2002 was as follows:

	<u>2003</u>	<u>2002</u>
Distributions paid from:		
Ordinary income	\$ -	\$ -
Long-term capital gain	<u>-</u>	<u>619,921</u>
	<u>\$ -</u>	<u>\$619,921</u>

CORNERCAP MICRO-CAP FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2003

As of March 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ -
Undistributed long-term gain	(1,209,812)
Unrealized depreciation	<u>(1,160,635)</u>
	<u><u>\$(2,370,447)</u></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 1.30% 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, 2003, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$1,754,519 and \$1,714,107, respectively.

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, 2003, 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, 2003, 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, 2003, 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, 2003**

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS</u> – 93.9%	<u>Value</u>
	Aerospace 3.3%	
23,200	Gencorp., Inc.	\$ 145,000
8,400	Moog, Inc. *	<u>257,040</u>
		<u>402,040</u>
	Apparel & Household 2.4%	
9,850	Kellwood Co.	<u>285,059</u>
	Auto Parts 6.4%	
15,900	Arvinmeritor, Inc.	222,441
7,900	Superior Industries International	287,797
18,150	TBC Corp. *	<u>254,100</u>
		<u>764,338</u>
	Banks – Money Center 6.5%	
13,650	Firstmerit Corp.	251,706
14,706	Washington Federal	309,708
6,400	Webster Financial	<u>224,768</u>
		<u>786,182</u>
	Beverages – Non-Alcohol 2.1%	
11,300	Constellation Brands, Inc.	<u>256,510</u>
	Broadcasting & Publications 1.8%	
14,450	Plantronics, Inc. *	<u>211,115</u>
	Building Materials 3.5%	
25,000	Apogee Enterprises	205,525
12,025	Crane Co.	<u>209,476</u>
		<u>415,001</u>
	Chemicals 2.7%	
16,100	Quaker Chemical Co.	<u>328,440</u>
	Conglomerate 2.1%	
13,100	Standex International	<u>249,555</u>
	Construction 1.9%	
6,500	Centex Construction	<u>234,000</u>
	Electric Plant & Equipment 3.3%	
26,350	CTS Corp.	160,735
5,000	Franklin Electric Co.	<u>234,900</u>
		<u>395,635</u>

See accompanying notes to financial statements.

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS</u> – 93.9%	<u>Value</u>
	Electrical & Gas – 4.7%	
12,850	Allete, Inc.	\$ 266,766
10,850	Nicor, Inc.	<u>296,422</u>
		<u>563,188</u>
	Food – 1.7%	
11,450	Smithfield Foods, Inc. *	<u>202,894</u>
	Health Care Services – 11.2%	
13,000	Apria Healthcare Group *	303,680
4,000	Arrow International, Inc.	162,680
9,400	Cooper Companies	281,060
10,400	Haemonetics Corp. *	227,240
30,750	Orthodontic Center of America, Inc. *	160,208
12,300	Owens Minor, Inc.	<u>215,865</u>
		<u>1,350,733</u>
	Household Products – 14.0%	
3,800	Beazer Homes USA, Inc. *	223,478
12,000	Blyth, Inc.	305,160
3,350	Harman International Industries, Inc.	196,209
6,250	Polaris Industries	310,750
13,600	Salton, Inc. *	142,800
13,300	Toll Brothers, Inc.	256,690
3,550	Toro Co.	<u>248,677</u>
		<u>1,683,764</u>
	Insurance – 3.6%	
14,500	Clark/Bardes, Inc. *	173,420
10,000	Reinsurance Group	<u>262,800</u>
		<u>436,220</u>
	Machine Tools – 8.5%	
10,000	American Axle & Manufacturing *	210,400
7,700	Briggs & Stratton	299,068
8,200	Donaldson, Inc.	299,956
12,500	Manitowoc, Inc.	<u>210,125</u>
		<u>1,019,549</u>
	Oil – 2.2%	
28,300	Vintage Petroleum	<u>268,850</u>

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2003

<u>Shares</u>	<u>COMMON STOCKS – 93.9%</u>	<u>Value</u>
	Person Care/Cosmetics – 1.5%	
21,000	Oakley, Inc. *	\$ <u>173,250</u>
	Retailers – Other – 4.7%	
17,100	Footstar, Inc. *	143,640
17,600	Haverty Furniture Co.	189,200
9,400	Regis Corp.	<u>234,154</u>
		<u>566,994</u>
	Tobacco – 2.6%	
8,300	Universal Corp.	<u>313,408</u>
	Wholesale & Industrial Services – 3.2%	
12,900	ABM Industries, Inc.	169,506
19,150	AMN Healthcare Services *	<u>210,267</u>
		<u>379,773</u>
	Total Common Stocks (Cost \$12,789,240)	<u><u>\$ 11,286,498</u></u>

Principal

<u>Amount</u>	<u>SHORT-TERM INVESTMENTS – 2.8%</u>	
	Federated Treasury – 2.8%	
\$343,537	(Cost \$343,537)	\$ <u>343,537</u>
	Total Investments (Cost \$13,132,777)(a)	96.70% \$ 11,630,035
	Other Assets and Liabilities – Net	<u>3.30%</u> <u>390,970</u>
	Net Assets	<u>100.00%</u> <u>\$ 12,021,005</u>

(a) Aggregate cost for federal income tax purposes is \$13,132,777.

At March 31, 2003, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 1,334,798
Gross unrealized depreciation	<u>(2,837,540)</u>
Net unrealized depreciation	<u><u>\$(1,502,742)</u></u>

* *Non-Income Producing Security*

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2003

ASSETS

Investments at market value, (Identified cost \$13,132,777) (<i>Note 1-A</i>)	\$11,630,035
Cash	411,840
Interest receivable	2,050
Dividends receivable	10,093
Other assets	<u>11,109</u>
Total assets	<u>12,065,127</u>

LIABILITIES

Payable for securities purchased	28,268
Other payable	614
Advisory fee payable	10,160
Service fees payable	<u>5,080</u>
Total liabilities	<u>44,122</u>

NET ASSETS

(Applicable to 1,288,579 shares outstanding, unlimited shares authorized)	<u>\$12,021,005</u>
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NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE	
(\$12,021,005 / 1,288,579 shares)	<u>\$9.33</u>

NET ASSETS

At March 31, 2003, net assets consisted of:	
Paid-in capital	\$13,865,331
Accumulated net realized loss on investments	(341,584)
Net unrealized depreciation	<u>(1,502,742)</u>
	<u>\$12,021,005</u>

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2003

INVESTMENT INCOME

Income

Dividends	\$ 193,232
Interest income	<u>6,042</u>
Total income	<u>199,274</u>

Expenses

Management fee (<i>Note 2</i>)	145,407
Service fees (<i>Note 2</i>)	<u>72,704</u>
Total expenses	<u>218,111</u>
Net investment loss	<u>(18,837)</u>

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from security transactions	(121,748)
Change in unrealized depreciation of investments	<u>(4,746,271)</u>
Net loss on investments	<u>(4,868,019)</u>

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS **\$(4,886,856)**

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income (loss)	\$ (18,837)	\$ 1,324
Net realized gain (loss) on investments appreciation	(121,748)	1,296,652
Change in unrealized depreciation of investments	<u>(4,746,271)</u>	<u>2,668,187</u>
Net increase/(decrease) in assets resulting from operations		<u>(4,886,856)</u>
<u>3,966,163</u>		
Distributions to shareholders from		
Net investment income (\$0.00 and \$0.06 per share)	-	(61,031)
Realized gains (\$0.61 and \$0.66 per share, respectively)	<u>(782,575)</u>	<u>(711,627)</u>
Total distributions	<u>(782,575)</u>	<u>(772,658)</u>
Capital share transactions (a)		
Increase in net assets resulting from capital share transactions	<u>1,355,222</u>	<u>2,007,950</u>
Total increase (decrease) in net assets	(4,314,209)	5,201,455
NET ASSETS		
Beginning of year	<u>16,335,214</u>	<u>11,133,759</u>
End of year	<u>\$12,021,005</u>	<u>\$16,335,214</u>

(a) Summary of capital share activity follows:

	<u>2003</u>		<u>2002</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	419,887	\$5,103,100	225,032	\$2,769,443
Shares issued on reinvested of distributions	<u>77,966</u>	<u>775,760</u>	<u>63,576</u>	<u>760,125</u>
	497,853	5,878,860	288,608	3,529,568
Shares redeemed	<u>(401,970)</u>	<u>(4,523,638)</u>	<u>(127,153)</u>	<u>(1,521,618)</u>
Net increase	<u>95,883</u>	<u>\$1,355,222</u>	<u>161,455</u>	<u>\$2,007,950</u>

CORNERCAP SMALL-CAP VALUE FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

<u>Years Ended March 31,</u>				<u>2003</u>		
<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>			
Per Share Operating Performance						
Net asset value, beginning of year				\$13.70	\$	
<u>10.80</u>	<u>\$ 8.87</u>			<u>\$ 9.56</u>	<u>\$</u>	
<u>14.85</u>						
Income from investment operations –						
Net investment income (loss)				(0.01)	-	
Net realized and unrealized gain (loss) on investments				<u>(3.75)</u>	<u>3.62</u>	<u>1</u>
Total from investment operations				<u>(3.76)</u>	<u>3.62</u>	<u>2</u>
Less distributions from						
Net investment income				-	(.06)	
- (.06)				-		
Realized gains				<u>(0.61)</u>	<u>(.66)</u>	
<u>(.09)</u>	<u>(1.15)</u>			<u>(1.48)</u>		
Total distributions				<u>(0.61)</u>	<u>(.72)</u>	
<u>(.09)</u>	<u>(1.21)</u>			<u>(1.48)</u>		
Net asset value, end of year				<u>\$ 9.33</u>	<u>\$13.70</u>	<u>\$10</u>
Total Return				(27.74)%	34.33%	
22.91%	5.30%			(25.98)%		
RATIOS/SUPPLEMENTAL DATA						
Net assets, end of year (\$000)				\$12,021	\$16,335	\$11,1
Ratios to average net assets						
Expenses				1.50%	1.50%	
1.50%				1.50%	1.50%	
Net investment income				(0.13)%	.01%	
.54%				.53%	.23%	
Portfolio turnover rate				31.89%	40.71%	
62.13%				37.13%	39.16%	

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

(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.
- D. *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 \$505,743 during the period November 1, 2002 through March 31, 2003, which are treated for federal income tax purposes as arising during the Fund’s tax year ending March 31, 2004. These “Post-October” losses may be utilized in future years to offset net realized capital gains prior to distributing such gains to shareholders.

On December 19, 2002, a long-term capital gain distribution of \$0.59 per share and an ordinary income distribution of \$.02 per share was declared. The dividend was paid on December 19, 2002, to shareholders of record on December 18, 2002.

The tax character of distributions paid for the years ended March 31, 2003 and 2002 was as follows:

	<u>2003</u>	<u>2002</u>
Distributions paid from:		
Ordinary income	\$ 20,216	\$ 213,981
Long-term capital gain	<u>762,359</u>	<u>558,677</u>
	<u>\$782,575</u>	<u>\$ 772,658</u>

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2003

As of March 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ -
Undistributed long-term gain	164,159
Unrealized depreciation	<u>(2,008,485)</u>
	<u><u>\$(1,844,326)</u></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, 2003, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$5,594,483 and \$4,713,271 respectively.