



CORNERCAP.

GROUP OF FUNDS

**CORNERCAP
BALANCED FUND**

**CORNERCAP
SMALL-CAP VALUE FUND**

**CORNERCAP
MICROCAP FUND**

ANNUAL REPORT TO SHAREHOLDERS

**FOR THE FISCAL YEAR ENDED
MARCH 31, 2004**

The Peachtree, Suite 1700
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Atlanta, Georgia 30309

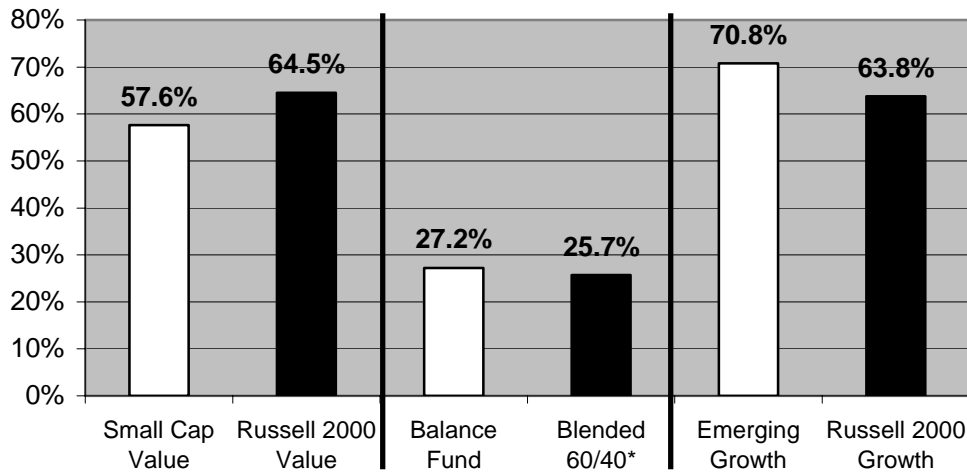
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**CornerCap Group of Funds
Manager's Report for the Shareholders
For the year ended March 31, 2004**

Dear Shareholder:

The CornerCap mutual funds performed very well during the fiscal year ending March 31, 2004:

Returns for the Fiscal Year Ending March 31, 2004**



* 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

Nothing pleases us more than to deliver exceptional returns to our clients. Last year was exceptional, not just for CornerCap investors, but for the average investor as well, i.e. the market. However, we are probably most proud of our results since the start of the major bear market in March 2000. For our Small Cap Value and Balanced funds, they are up significantly over that four-year period and were down in only one of the four years. Most investors have still not recovered from the market crash. We attribute these results to our philosophy for valuing investments and our discipline for implementing that philosophy. Our plan is to continue delivering the same investment process to our clients.

However, as you can note from our newsletters on our website, going forward we do not expect the market to offer opportunities such that we experienced last year. We believe that security valuations are simply too high for investors to expect double-digit equity returns over the coming decade. This is one reason that so many investors are moving from traditional stock and bond investments to untraditional hedge funds. Certainly, while some will experience positive returns, our forecast is that the returns of most will be prefixed by a minus sign. Keep your money secure by keeping your investments dull.

While our investment process may be as dull, there was nothing dull about the mutual fund business last year. For such a historically problem-free industry, we have probably never experienced such behavioral abuses by the managers of mutual funds. The abusers are in the process of being identified and tried, and retribution is beginning to filter down to some of the abused. Of course, CornerCap has experienced none of these legal problems.

The only legal problem that we are experiencing at the CornerCap Group of Funds is the one that all mutual fund companies are sharing. The shareholder abuses that have been reported by the media are causing legislatures and regulators to promulgate more laws and rules to expose and ultimately rid the industry of the bad guys. The result for even the good guys is more involved lawyers, auditors and administrators. This is generating more costs in the system, and the way the system has always worked, ultimately the shareholders cover all costs. These added costs will eventually pass through to shareholders. Please note that we have no plans to increase any of our funds' expense ratios. Thank you for your support.

**CornerCap Investment Counsel
May 30, 2004**

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

**The Audit Committee
CornerCap Group of Funds
Atlanta, Georgia**

In planning and performing our audits of the financial statements of CornerCap Balanced Fund, CornerCap Growth Small Cap Fund and Cornercap Micro-Cap Fund, each a series of shares of common stock of CornerCap Group of Funds, for the year ended March 31, 2004, we considered their internal control structure, including procedures 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 the internal control structure.

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 any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the 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 the 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, 2004.

This report is intended solely for the information and use of management and the Board of Trustees 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.

TAIT, WELLER & BAKER

**Philadelphia, Pennsylvania
April 29, 2004**

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, 2004, 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 the standards of the Public Company Accounting Oversight Board 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, 2004, 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, 2004, 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
April 30, 2004**

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 58.1%</u> | <u>Value</u> |
|---------------|---------------------------------------|----------------|
| | Aerospace & Defense - 3.6% | |
| 2,000 | Boeing Co Com | \$ 82,140 |
| 4,500 | Goodrich Corp. | 126,315 |
| 1,600 | United Technologies | <u>138,080</u> |
| | | <u>346,535</u> |
| | Appl. & Household - 2.6% | |
| 3,450 | Jones Apparel Group, Inc. | 124,717 |
| 2,750 | VF Corp. | <u>128,425</u> |
| | | <u>253,142</u> |
| | Auto Parts - 1.3% | |
| 2,100 | Johnson Controls, Inc. | <u>124,215</u> |
| | Banks - Money Center - 8.6% | |
| 3,800 | Bank of New York | 119,700 |
| 3,650 | Charter One Financial Inc. | 129,064 |
| 2,200 | Comerica, Inc. | 119,504 |
| 4,300 | US Bancorp | 118,895 |
| 2,600 | Wachovia Corp. New | 122,200 |
| 4,462 | Washington Federal, Inc. | 113,905 |
| 2,550 | Washington Mutual, Inc. | <u>108,910</u> |
| | | <u>832,178</u> |
| | Banks - Regional - 1.5% | |
| 3,300 | Fleetboston Financial Corp. | <u>148,170</u> |
| | Biotechnology - 2.8% | |
| 3,400 | Laboratory Amer. Hldgs.* | 133,450 |
| 1,700 | Quest Diagnostics, Inc. | <u>140,811</u> |
| | | <u>274,261</u> |
| | Chemicals - 1.2% | |
| 2,050 | PPG Industries | <u>119,515</u> |
| | Conglomerate - 3.0% | |
| 2,100 | Norsk Hydro | 147,987 |
| 4,815 | Tyco International, Ltd. | <u>137,950</u> |
| | | <u>285,937</u> |
| | Elect. Plant/Equip.- 1.0% | |
| 2,000 | Diebold, Inc. | <u>96,240</u> |
| | Electrical & Gas - 2.8% | |
| 3,300 | DTE Energy Co. | 135,795 |
| 3,400 | FirstEnergy Corp. | <u>132,872</u> |
| | | <u>268,667</u> |
| | Food - 1.3% | |
| 5,600 | Sara Lee Corp. | <u>122,416</u> |

See accompanying notes to financial statements.

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 58.1%</u> | <u>Value</u> |
|---------------|------------------------------------|----------------|
| | Health Care Services - 4.0% | |
| 2,150 | Cigna Corp. | \$ 126,893 |
| 4,100 | McKesson, Inc. | 123,369 |
| 2,850 | Oxford Health Plans Com | <u>139,223</u> |
| | | <u>389,485</u> |
| | Insurance - 2.6% | |
| 1,450 | Everest Re Group LTD Com | 123,888 |
| 3,200 | St. Paul Co., Inc. | <u>128,032</u> |
| | | <u>251,920</u> |
| | Metals-Steel - 1.4% | |
| 3,850 | Alcoa, Inc. | <u>133,556</u> |
| | Oil - 1.5% | |
| 3,050 | Ashland, Inc. | <u>141,795</u> |
| | Other Financial - 5.8% | |
| 4,700 | Allied Capital, Inc. | 142,363 |
| 1,600 | Bear Stearns | 140,288 |
| 1,466 | Countrywide Financial Corp. | 140,589 |
| 5,050 | MBNA Corp. | <u>139,532</u> |
| | | <u>562,772</u> |
| | Pharmaceuticals - 2.5% | |
| 3,700 | Pfizer, Inc. | 129,685 |
| 3,050 | Wyeth | <u>114,528</u> |
| | | <u>244,213</u> |
| | Retailers - Food - 0.9% | |
| 4,400 | Safeway, Inc.* | <u>90,552</u> |
| | Retailers - Other - 2.3% | |
| 4,100 | Abercrombie & Fitch Co.* | 138,744 |
| 2,500 | May Department Stores Co. | <u>86,450</u> |
| | | <u>225,194</u> |
| | Semiconductors - 1.3% | |
| 13,050 | LSI Logic Corp.* | <u>121,887</u> |
| | Software - 1.2% | |
| 4,200 | Sungard Data Systems Inc.* | <u>115,080</u> |
| | Telecom Technology - 1.2% | |
| 6,200 | Electronic Data Systems | <u>119,970</u> |
| | Telecom-Other - 1.2% | |
| 3,400 | Telefonos de Mexico SA | <u>118,694</u> |

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 58.1%</u> | <u>Value</u> |
|---------------|---|---------------------------|
| | Wholesale & Int'l - 2.5% | |
| 7,400 | Convergys Corp* | \$ 112,480 |
| 4,350 | Donnelley & Sons Co | <u>131,588</u> |
| | | <u>244,068</u> |
| | Total Common Stocks (Cost \$4,606,188) | <u><u>\$5,630,462</u></u> |

| <u>Principal Amount</u> | <u>CORPORATE BONDS - 17.8%</u> | <u>Value</u> |
|-------------------------|---|-------------------------|
| | Banks-Money Center - 3.9% | |
| | NationsBank Corp. | |
| \$200,000 | 6.375% Due 05-15-05 | \$ 210,757 |
| | Norwest Financial | |
| 150,000 | 6.250% Due 12-15-07 | <u>169,323</u> |
| | | <u>380,080</u> |
| | Banks-Super Regional - 2.0% | |
| | Citicorp | |
| 165,000 | 7.250% Due 10-01-10 | <u>196,509</u> |
| | Consumer Finance - 1.6% | |
| | International Lease Financial Corp. | |
| 140,000 | 5.750% Due 10-15-06 | <u>151,513</u> |
| | Electrical & Gas - 3.1% | |
| | National Rural Utilities | |
| 150,000 | 6.375% Due 10-15-04 | 154,027 |
| | General Electric Capital Notes | |
| 140,000 | 5.450% Due 01-15-13 | <u>150,754</u> |
| | | <u>304,781</u> |
| | Pharmaceuticals - 1.9% | |
| | Eli Lilly & Co | |
| 160,000 | 6.000% Due 03-15-12 | <u>180,599</u> |
| | Retailers - 1.8% | |
| | Wal-Mart Stores, Inc. | |
| 150,000 | 6.875% Due 08-10-09 | <u>176,037</u> |
| | Securities Broker -1.8% | |
| | Merrill Lynch & Co., Inc. | |
| 150,000 | 6.375% Due 10-15-08 | <u>169,387</u> |
| | Wireless Communication - 1.7% | |
| | Bell South Telecom | |
| 150,000 | 6.000% Due 10-15-11 | <u>166,361</u> |
| | Total Corporate Bonds (Cost \$1,632,008) | <u><u>1,725,267</u></u> |

CORNERCAP BALANCED FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2004

| <u>Principal Amount</u> | <u>GOVERNMENT BONDS - 18.6%</u> | <u>Value</u> |
|-----------------------------|--|--|
| | U. S. Treasury Bonds - 18.6% | |
| \$140,000 | 6.500% Due 08-15-05 | \$ 149,942 |
| 100,000 | 6.500% Due 10-15-06 | 111,586 |
| 100,000 | 6.125% Due 08-15-07 | 112,859 |
| 150,000 | 3.000% Due 02-15-08 | 153,521 |
| 200,000 | 5.500% Due 05-15-09 | 225,930 |
| 150,000 | 5.750% Due 08-15-10 | 172,219 |
| 165,000 | 3.500% Due 01-15-11 | 204,295 |
| 135,000 | 3.375% Due 01-15-12 | 163,808 |
| 180,000 | 4.875% Due 02-15-12 | 196,488 |
| 150,000 | 1.875% Due 07-15-13 | 157,219 |
| 150,000 | 2.000% Due 01-15-14 | <u>157,395</u> |
| | Total Government Bonds (Cost \$1,686,602) | <u>1,805,262</u> |
| | <u>SHORT-TERM INVESTMENTS - 2.9%</u> | |
| | Federated Treasury - 2.9% | |
| \$276,326 | (Cost \$276,326) | <u>\$ 276,326</u> |
| | Total Investments (Cost \$8,201,124) (a) | 97.4% 9,437,317 |
| | Other Assets and Liabilities, Net | 2.6% <u>259,212</u> |
| | Net Assets | 100.0% <u><u>\$ 9,696,529</u></u> |

**Non-income producing security*

(a) Aggregate cost for federal income tax purpose is \$8,220,367.

At March 31, 2004, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

| | |
|------------------------------------|---------------------------|
| Gross unrealized appreciation | \$1,406,141 |
| Gross unrealized depreciation | <u>(169,948)</u> |
| Net unrealized appreciation | <u><u>\$1,236,193</u></u> |

CORNERCAP BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2004

ASSETS

| | |
|---|------------------|
| Investments at market value, (Identified cost \$8,201,124) (<i>Note 1-A</i>) | \$ 9,437,317 |
| Cash | 156,744 |
| Interest receivable | 48,834 |
| Dividends receivable | 9,268 |
| Due from advisor | 3,343 |
| Receivable fund share sold | 50,035 |
| Other assets | <u>1,515</u> |
| Total assets | <u>9,707,056</u> |

LIABILITIES

| | |
|--------------------------|---------------|
| Advisory fee payable | 8,098 |
| Service fees payable | <u>2,429</u> |
| Total liabilities | <u>10,527</u> |

NET ASSETS

| | |
|--|---------------------|
| (Applicable to 757,828 shares outstanding, unlimited number of shares authorized) | <u>\$ 9,696,529</u> |
|--|---------------------|

NET ASSET VALUE, OFFERING AND REPURCHASE

| | |
|--|----------------|
| PRICE PER SHARE (\$9,696,529 ÷ 757,828 shares) | <u>\$12.80</u> |
|--|----------------|

NET ASSETS

| | |
|--|--------------------|
| At March 31, 2004, net assets consisted of: | |
| Paid-in capital | \$ 8,764,973 |
| Undistributed net investment income | 105,763 |
| Accumulated net realized loss on investments | (410,400) |
| Net unrealized appreciation of investments | <u>1,236,193</u> |
| | <u>\$9,696,529</u> |

CORNERCAP BALANCED FUND

STATEMENT OF OPERATIONS

For the year ended March 31, 2004

INVESTMENT INCOME

| | |
|---------------------|----------------|
| Dividends | \$ 111,655 |
| Interest | <u>123,865</u> |
| Total income | <u>235,520</u> |

Expenses

| | |
|----------------------------------|----------------|
| Management fee (<i>Note 2</i>) | 78,392 |
| Service costs (<i>Note 2</i>) | <u>23,518</u> |
| Total expenses | <u>101,910</u> |
| Net investment income | <u>133,610</u> |

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

| | |
|--|------------------|
| Net realized gain from security transactions | 193,209 |
| Change in unrealized appreciation of investments | <u>1,460,726</u> |
| Net gain on investments | <u>1,653,935</u> |

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$1,787,545

CORNERCAP BALANCED FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| <i>INCREASE (DECREASE) IN NET ASSETS FROM</i> | | |
| Operations | | |
| Net investment income | \$ 133,610 | \$ 128,230 |
| Net realized gain/(loss) on investments | 193,209 | (266,069) |
| Change in unrealized appreciation of investments | <u>1,460,726</u> | <u>(557,238)</u> |
| Net increase (decrease) in net assets resulting from operations | <u>1,787,545</u> | <u>(695,077)</u> |
| Distributions to shareholders from | | |
| Net investment income (\$0.17 and \$0.22 per share, respectively) | <u>(126,976)</u> | <u>(128,538)</u> |
| Capital share transactions (a) | | |
| Increase in net assets resulting from capital share transactions | <u>1,929,033</u> | <u>732,186</u> |
| Total increase (decrease) in net assets | 3,589,602 | (91,429) |
| NET ASSETS | | |
| Beginning of year | <u>6,106,927</u> | <u>6,198,356</u> |
| End of year | | |
| (Including undistributed net investment income of \$105,763 and \$84,498, respectively) | <u>\$ 9,696,529</u> | <u>\$ 6,106,927</u> |

(a) Summary of capital share activity follows:

| | <u>2004</u> | | <u>2003</u> | |
|--|------------------|---------------------|-----------------|-------------------|
| | <u>Shares</u> | <u>Value</u> | <u>Shares</u> | <u>Value</u> |
| Shares sold | 257,380 | \$ 3,110,968 | 117,186 | \$ 1,234,378 |
| Shares issued on reinvestment of distributions | <u>10,330</u> | <u>126,954</u> | <u>12,309</u> | <u>128,510</u> |
| | 267,710 | 3,237,922 | 129,495 | 1,362,888 |
| Shares redeemed | <u>(109,628)</u> | <u>(1,308,889)</u> | <u>(59,091)</u> | <u>(630,702)</u> |
| Net increase | <u>158,082</u> | <u>\$ 1,929,033</u> | <u>70,404</u> | <u>\$ 732,186</u> |

CORNERCAP BALANCED FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

| | For The Year Ended March 31, 2004 | For The Year Ended March 31, 2003 | For The Year Ended March 31, 2002 (a) | For The Year Ended March 31, 2001 | For The Year Ended March 31, 2000 |
|--|--|--|--|--|--|
| Per Share Operating Performance | | | | | |
| Net asset value, beginning of year | <u>\$10.18</u> | <u>\$11.72</u> | <u>\$11.28</u> | <u>\$10.71</u> | <u>\$11.62</u> |
| Income from investment operations – | | | | | |
| Net investment income | .14 | .20 | .14 | .40 | .36 |
| Net realized and unrealized gain (loss) on investments | <u>2.65</u> | <u>(1.52)</u> | <u>.52</u> | <u>.54</u> | <u>(.66)</u> |
| Total from investment operations | <u>2.79</u> | <u>(1.32)</u> | <u>.66</u> | <u>.94</u> | <u>(.30)</u> |
| <i>Less distributions from –</i> | | | | | |
| Net investment income | (.17) | (.22) | (.22) | (.34) | (.37) |
| Realized gains | <u>-</u> | <u>-</u> | <u>-</u> | <u>(.03)</u> | <u>(.24)</u> |
| Total distributions | <u>(.17)</u> | <u>(.22)</u> | <u>(.22)</u> | <u>(.37)</u> | <u>(.61)</u> |
| Net asset value, end of year | <u>\$12.80</u> | <u>\$10.18</u> | <u>\$11.72</u> | <u>\$11.28</u> | <u>\$10.71</u> |
| Total Return | 27.48% | (11.29)% | 5.89% | 8.91% | (2.89)% |
| RATIOS/SUPPLEMENTAL DATA | | | | | |
| Net assets, end of year (\$000) | \$9,697 | \$6,107 | \$6,198 | \$4,496 | \$4,430 |
| Ratios to average net assets | | | | | |
| Expenses | 1.30% | 1.30% | 1.30% | 1.30% | 1.32% |
| Net investment income | 1.70% | 2.17% | 1.75% | 3.03% | 3.16% |
| Portfolio turnover rate | 12.19% | 21.88% | 26.77% | 24.82% | 16.38% |

** *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.

See accompanying notes to financial statements.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(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, 2004, the Fund had capital loss carryforwards available to offset future gains if any of approximately \$410,000 of which \$229,000 expires in 2009 and \$181,000 expires in 2011.

On December 18, 2003, a distribution of \$.17 per share was declared. The dividend was paid on December 18, 2003, to shareholders of record on December 17, 2003.

CORNERCAP BALANCED FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2004

The tax character of distributions paid for the years ended March 31, 2004 and 2003 was as follows:

| | <u>2004</u> | <u>2003</u> |
|--------------------------|-------------------|-------------------|
| Distributions paid from: | | |
| Ordinary income | \$ 126,976 | \$ 128,538 |
| Long-term capital gain | <u>-</u> | <u>-</u> |
| | <u>\$ 126,976</u> | <u>\$ 128,538</u> |

As of March 31, 2004, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------|-------------------|
| Undistributed ordinary income | \$ 105,763 |
| Capital loss carryforward | (410,400) |
| Unrealized appreciation | <u>1,236,193</u> |
| | <u>\$ 931,556</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, 2004, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$2,680,650 and \$909,382, 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, 2004, 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 the standards of the Public Company Accounting Oversight Board 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, 2004, 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 Micro-Cap Fund as of March 31, 2004, 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
April 30, 2004**

CORNERCAP MICROCAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCK - 91.0%</u> | <u>Value</u> |
|---|-----------------------------|----------------|
| Appl. & Household - 2.0% | | |
| 1,000 | Kenneth Cole Prod. | \$ 34,100 |
| 5,000 | Quaker Fabric Corp | 44,900 |
| | | <u>79,000</u> |
| Auto Parts - 0.4% | | |
| 600 | Monro Muffler Brake* | <u>14,994</u> |
| Automobiles - 1.3% | | |
| 3,000 | Coachmen Industries, Inc. | <u>50,040</u> |
| Banks - Money Center - 4.5% | | |
| 2,057 | First Mutual Bancshares | 49,574 |
| 1,200 | ITLA Capital Corp* | 59,352 |
| 500 | Interchange Financial | 12,150 |
| 2,100 | Northrim Bancorp | <u>53,760</u> |
| | | <u>174,836</u> |
| Broadcasting & Publishing - 2.1% | | |
| 6,600 | ClearOne Comm.* | 42,900 |
| 6,000 | Xeta Technology* | <u>37,500</u> |
| | | <u>80,400</u> |
| Building Materials - 2.7% | | |
| 3,000 | Flexsteel Industries | 61,500 |
| 2,000 | Griffon Corp.* | <u>43,200</u> |
| | | <u>104,700</u> |
| Chemicals - 3.8% | | |
| 2,000 | A Schulman, Inc. | 39,300 |
| 7,500 | Edge Pete Corp.* | <u>109,500</u> |
| | | <u>148,800</u> |
| Computers & Peripherals - 2.2% | | |
| 5,500 | Compudyne Corp* | 61,815 |
| 1,700 | Printronic Inc.* | <u>24,922</u> |
| | | <u>86,737</u> |

CORNERCAP MICROCAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCK - 91.0%</u> | <u>Value</u> |
|---------------|--|------------------|
| | Constr. & Agric. Machinery - 1.7% | |
| 2,050 | Lufkin Inds Inc | <u>\$ 64,268</u> |
| | Construction - 0.4% | |
| 1,200 | Matrix Svc Co.* | <u>16,236</u> |
| | Consumer Electronics - 1.5% | |
| 2,200 | Tetra Technologies* | <u>57,486</u> |
| | Elect. Plant / Equip. - 3.8% | |
| 2,825 | II VI, Inc. | 69,071 |
| 1,900 | Robbins & Myers, Inc. | 40,945 |
| 4,700 | White Electronic Designs* | <u>35,955</u> |
| | | <u>145,971</u> |
| | Electrical & Gas - 3.4% | |
| 3,500 | Encore Wire Corp.* | <u>130,375</u> |
| | Energy Equipment - 5.4% | |
| 3,000 | Core Laboratories NV* | 63,600 |
| 1,900 | Gulf Island Fabrication | 38,646 |
| 3,400 | Key Energy Group, Inc.* | 37,400 |
| 2,000 | Prima Energy Corp.* | <u>69,100</u> |
| | | <u>208,746</u> |
| | Food - 1.4% | |
| 4,950 | Embrex, Inc.* | <u>56,133</u> |
| | Gas Production - 1.3% | |
| 2,300 | Cascade Natural Gas | <u>50,117</u> |

CORNERCAP MICROCAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCK - 91.0%</u> | <u>Value</u> |
|---|-----------------------------|----------------|
| Health Care Services - 10.8% | | |
| 4,300 | Cytoc Corp.* | \$ 95,675 |
| 4,200 | Enpath Medical* | 58,800 |
| 4,000 | Lance, Inc. | 65,560 |
| 2,000 | National Health Invs | 61,600 |
| 2,500 | Neogen Corp.* | 46,150 |
| 3,000 | Rehab Care Group, Inc.* | 59,640 |
| 950 | Young Innovations | 33,336 |
| | | <u>420,761</u> |
| Household Products - 5.5% | | |
| 700 | Arctic Cat, Inc. | 17,843 |
| 1,800 | Dominion Homes* | 68,490 |
| 2,250 | Helen of Troy, Ltd.* | 69,772 |
| 1,900 | Movado Group Inc. | 56,886 |
| | | <u>212,991</u> |
| Insurance - 4.9% | | |
| 3,200 | Alamo Group Inc. | 55,648 |
| 2,400 | NYMAGIC, Inc. | 60,720 |
| 15,000 | Meadowbrook Ins. Group* | 76,200 |
| | | <u>192,568</u> |
| Machine & Engineering - 4.6% | | |
| 4,000 | Gehl Company* | 64,996 |
| 1,800 | Quixote Corp. | 37,854 |
| 3,500 | Spartan Mtrs Inc | 36,925 |
| 4,100 | Sun Hydraulics Corp | 38,253 |
| | | <u>178,028</u> |
| Machine Tools - 4.9% | | |
| 2,050 | B H A Group Holdings | 61,479 |
| 1,800 | Cascade Corp | 36,540 |
| 6,100 | Summa Industries* | 56,425 |
| 3,100 | Walter Industries, Inc. | 37,014 |
| | | <u>191,458</u> |

CORNERCAP MICROCAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCK - 91.0%</u> | <u>Value</u> |
|------------------------------------|-----------------------------|----------------|
| Metals - Non-Ferrous - 1.0% | | |
| 6,000 | TOR Minerals Intl Inc* | \$ 37,020 |
| Metals - Steel - 3.2% | | |
| 11,000 | Commonwealth Industries | 80,410 |
| 1,800 | Gibraltar Steel Corp | 44,244 |
| | | <u>124,654</u> |
| Oil - 2.5% | | |
| 3,000 | Frontier Oil Corp. | 58,140 |
| 2,000 | Giant Industries* | 41,400 |
| | | <u>99,540</u> |
| Other Financial - 3.3% | | |
| 1,000 | First Cash Finl Svcs* | 33,630 |
| 11,600 | Metris Cos Inc. * | 93,264 |
| | | <u>126,894</u> |
| Paper / Packaging - 1.1% | | |
| 3,600 | Myers Industries | 44,280 |
| Retailers - Other - 2.5% | | |
| 3,600 | Building Materials | 63,180 |
| 3,000 | Sport Chalet Inc.* | 34,890 |
| | | <u>98,070</u> |
| Telecom Technology - 5.6% | | |
| 2,200 | Catapult Communications* | 39,224 |
| 4,500 | Inet Technologies Inc.* | 55,845 |
| 1,400 | Integral Systems, Inc. | 26,600 |
| 144 | Peregrine Systems, Inc.* | 3,168 |
| 2,600 | Performance Tech.* | 43,914 |
| 4,000 | Tessco Technologies* | 50,760 |
| | | <u>219,511</u> |
| Tobacco - 1.1% | | |
| 2,400 | Standard Coml Corp | 44,520 |

CORNERCAP MICROCAP FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCK - 91.0%</u> | <u>Value</u> |
|---------------|---------------------------------------|---------------------|
| | Trans. - Shipping - 1.0% | |
| 2,300 | Cantel Medical Corp.* | \$ 41,147 |
| | Wholesale & Int'l - 1.0% | |
| 40,000 | Warrantech Corp.* | 39,600 |
| | Total Common Stocks (Cost\$2,768,971) | <u>\$ 3,539,881</u> |

| <u>Principal Amount</u> | <u>SHORT-TERM INVESTMENTS - 8.0%</u> | <u>Value</u> |
|-------------------------|---|-----------------------------------|
| | Federated Treasury - 8.0% | |
| 309,909 | (Cost \$309,909) | \$ 309,909 |
| | Total Investments (Cost \$3,078,880) (a) | 99.0% 3,849,790 |
| | Other Assets and Liabilities, Net | 1.0% 41,012 |
| | Net Assets | 100.0% <u>\$ 3,890,802</u> |

**Non-income producing security*

(a) Aggregate cost for federal income tax purpose is \$3,078,880.

At March 31, 2004, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

| | |
|------------------------------------|-------------------|
| Gross unrealized appreciation | \$ 975,979 |
| Gross unrealized depreciation | <u>(205,069)</u> |
| Net unrealized appreciation | <u>\$ 770,910</u> |

CORNERCAP MICRO-CAP FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2004

ASSETS

| | |
|---|------------------|
| Investments at market value, (Identified cost \$3,078,880) (<i>Note 1-A</i>) | \$ 3,849,790 |
| Cash | 117,488 |
| Interest receivable | 210 |
| Dividends receivable | <u>2,354</u> |
| Total assets | <u>3,969,842</u> |

LIABILITIES

| | |
|---------------------------------|---------------|
| Investment securities purchased | 73,247 |
| Advisory fee payable | 4,184 |
| Service fees payable | <u>1,609</u> |
| Total liabilities | <u>79,040</u> |

NET ASSETS

(Applicable to 440,913 shares outstanding, unlimited shares authorized) \$ 3,890,802

NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$3,890,802 ÷ 440,913 shares) \$8.82

NET ASSETS

At March 31, 2004, net assets consisted of:

| | |
|--|---------------------|
| Paid-in capital | \$ 4,701,164 |
| Accumulated net realized loss on investments | (1,581,272) |
| Net unrealized appreciation | <u>770,910</u> |
| | <u>\$ 3,890,802</u> |

CORNERCAP MICRO-CAP FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2004

INVESTMENT INCOME

Income

| | |
|-----------------|--------------|
| Dividends | \$ 18,707 |
| Interest income | <u>1,802</u> |

| | |
|---------------------|---------------|
| Total income | <u>20,509</u> |
|---------------------|---------------|

Expenses

| | |
|----------------------------------|---------------|
| Management fee (<i>Note 2</i>) | 39,060 |
| Service fees (<i>Note 2</i>) | <u>15,023</u> |

| | |
|-----------------------|---------------|
| Total expenses | <u>54,083</u> |
|-----------------------|---------------|

| | |
|----------------------------|-----------------|
| Net investment loss | <u>(33,574)</u> |
|----------------------------|-----------------|

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

| | |
|--|------------------|
| Net realized gain from security transactions | 186,141 |
| Change in unrealized appreciation of investments | <u>1,373,944</u> |

| | |
|--------------------------------|------------------|
| Net gain on investments | <u>1,560,085</u> |
|--------------------------------|------------------|

| | |
|---|---------------------|
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$ 1,526,511</u> |
|---|---------------------|

CORNERCAP MICRO-CAP FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| INCREASE (DECREASE) IN NET ASSETS FROM | | |
| Operations | | |
| Net investment loss | \$ (33,574) | \$ (37,341) |
| Net realized gain (loss) on investments | 186,141 | (1,368,601) |
| Change in unrealized appreciation (depreciation) of investments | <u>1,373,944</u> | <u>(232,848)</u> |
| Net increase (decrease) in assets resulting from operations | <u>1,526,511</u> | <u>(1,638,790)</u> |
| Capital share transactions (a) | | |
| Increase in net assets resulting from capital share transactions | <u>126,484</u> | <u>79,072</u> |
| Total increase (decrease) in net assets | 1,652,995 | (1,559,718) |
| NET ASSETS | | |
| Beginning of year | <u>2,237,807</u> | <u>3,797,525</u> |
| End of year | <u>\$ 3,890,802</u> | <u>\$ 2,237,807</u> |

(a) Summary of capital share activity follows:

| | <u>2004</u> | | <u>2003</u> | |
|---------------------|------------------|-------------------|----------------|------------------|
| | <u>Shares</u> | <u>Value</u> | <u>Shares</u> | <u>Value</u> |
| Shares sold | 142,332 | \$1,003,802 | 14,650 | \$ 90,511 |
| Shares redeemed | <u>(134,183)</u> | <u>(877,318)</u> | <u>(2,113)</u> | <u>(11,439)</u> |
| Net increase | <u>8,149</u> | <u>\$ 126,484</u> | <u>12,537</u> | <u>\$ 79,072</u> |

CORNERCAP MICRO-CAP FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

| Year Ended | Year Ended | | Year Ended | | July 27, 2000* |
|---|-------------------|-------------------|-------------------|-------------------|----------------|
| | To | | To | | |
| | March 31, 2004 | March 31, 2003 | March 31, 2002 | March 31, 2001 | |
| Per Share Operating Performance | | | | | |
| Net asset value, beginning of period | <u>\$5.17</u> | <u>\$9.04</u> | <u>\$9.04</u> | <u>\$ 13.26</u> | |
| Income from investment operations – | | | | | |
| Net investment loss | (0.08) | (0.09) | (0.13) | (0.11) | |
| Net realized and unrealized gain (loss) on investments | <u>3.73</u> | <u>(3.78)</u> | <u>1.82</u> | <u>(4.11)</u> | |
| Total from investment operations | <u>3.65</u> | <u>(3.87)</u> | <u>1.69</u> | <u>(4.22)</u> | |
| Less distributions from | | | | | |
| Realized gains | <u>-</u> | <u>-</u> | <u>(1.69)</u> | <u>-</u> | |
| Net asset value, end of period | <u>\$8.82</u> | <u>\$5.17</u> | <u>\$9.04</u> | <u>\$ 9.04</u> | |
| Total Return | 70.60% | (42.81)% | 18.42% | (31.83)% | |
| RATIOS/SUPPLEMENTAL DATA | | | | | |
| Net assets, end of period (\$000) | \$3,891 | \$2,238 | \$3,798 | \$3,429 | |
| Ratios to average net assets | | | | | |
| Expenses | 1.80% | 1.77% | 1.86% | 1.90% | |
| Net investment loss | (1.12)% | (1.36)% | (1.44)% | (1.30)% | |
| Portfolio turnover rate | 63.79% | 69.49% | 47.88% | 34.20% | |

* *Commencement of operations*

CORNERCAP MICRO-CAP FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(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.

At March 31, 2004, the Fund had capital loss carry forwards available to offset future gains, if any, of approximately \$1,581,000 of which \$1,210,000 expires in 2011 and \$371,000 expires in 2012.

There were no distributions paid for the periods ended March 31, 2004 and 2003.

CORNERCAP MICRO-CAP FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2004

As of March 31, 2004, the components of distributable earnings on a tax basis were as follows:

| | | |
|-------------------------------|----|------------------|
| Undistributed ordinary income | \$ | - |
| Undistributed long-term gain | | 1,581,272 |
| Unrealized appreciation | | <u>770,910</u> |
| | \$ | <u>2,352,182</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.
- F. Reclassification of Capital Accounts** – Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended March 31, 2004, the Fund decreased paid in capital by \$33,574 and increased undistributed net investment income by \$33,574.

(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, 2004, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$1,707,615 and \$1,825,719, 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, 2004, 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 the standards of the Public Company Accounting Oversight Board 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, 2004, 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, 2004, 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
April 30, 2004**

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 99.0%</u> | <u>Value</u> |
|---------------|---|------------------|
| | Aerospace / Defense - 4.0% | |
| 29,450 | GenCorp, Inc. | \$ 318,943 |
| 12,600 | Moog, Inc.* | <u>429,912</u> |
| | | <u>748,855</u> |
| | Appl. & Household - 2.1% | |
| 9,850 | Kellwood Co. | <u>386,613</u> |
| | Auto Parts - 5.1% | |
| 15,900 | Arvinmeritor, Inc. | 315,297 |
| 7,900 | Superior Industries International | 279,976 |
| 12,000 | TBC Corp.* | <u>352,440</u> |
| | | <u>947,713</u> |
| | Banks - Money Center - 5.9% | |
| 13,650 | FirstMerit Corp. | 355,583 |
| 16,177 | Washington Federal, Inc. | 413,017 |
| 6,400 | Webster Financial Corp. | <u>324,544</u> |
| | | <u>1,093,144</u> |
| | Banks - Regional - 1.5% | |
| 7,500 | Hudson United Bancorp* | <u>285,375</u> |
| | Beverages - Non Alcoholic - 1.9% | |
| 11,300 | Constellation Brands, Inc.* | <u>362,730</u> |
| | Broadcasting & Publ - 2.8% | |
| 14,450 | Plantronics, Inc.* | <u>529,015</u> |
| | Building Materials - 4.0% | |
| 28,500 | Apogee Enterprises | 351,405 |
| 12,025 | Crane Co. | <u>396,825</u> |
| | | <u>748,230</u> |
| | Chemicals - 4.2% | |
| 17,800 | Headwaters Inc.* | 456,036 |
| 12,850 | Quaker Chemical Corp. | <u>326,390</u> |
| | | <u>782,426</u> |

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS - (Continued)

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 99.0%</u> | <u>Value</u> |
|---------------|---------------------------------------|------------------|
| | Conglomerate - 1.9% | |
| 13,100 | Standex International Corp. | \$ 353,700 |
| | Construction - 1.6% | |
| 7,500 | Lafarge Corp. | 304,875 |
| | Consumer Services - 2.2% | |
| 12,900 | John H. Harland Co. | 401,448 |
| | Elec. Plant / Equipment - 3.6% | |
| 26,350 | CTS Corp. | 343,604 |
| 5,000 | Franklin Electric Co. | 318,400 |
| | | <u>662,004</u> |
| | Electrical & Gas - 2.6% | |
| 7,650 | Allete, Inc. | 268,439 |
| 6,250 | Nicor, Inc. | 220,187 |
| | | <u>488,626</u> |
| | Food - 2.5% | |
| 17,350 | Smithfield Foods, Inc.* | 470,532 |
| | Healthcare Services - 10.5% | |
| 13,000 | Apria Healthcare Group Com* | 389,220 |
| 6,700 | Cooper Cos | 361,800 |
| 13,250 | Haemonetics Corp* | 416,713 |
| 49,350 | Orthodontic Centers of America, Inc.* | 389,865 |
| 16,150 | Owens & Minor | 408,595 |
| | | <u>1,966,193</u> |
| | Household Products - 8.1% | |
| 3,800 | Beazer Homes USA, Inc. | 402,458 |
| 12,000 | Blyth, Inc. | 392,040 |
| 7,500 | Polaris Industries, Inc. | 340,800 |
| 8,200 | Toll Brothers, Inc. | 372,526 |
| | | <u>1,507,824</u> |
| | Industrial Component - 2.0% | |
| 7,800 | Curtiss Wright | 365,586 |

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS - (Continued)

March 31, 2004

| <u>Shares</u> | <u>COMMON STOCKS - 99.0%</u> | <u>Value</u> |
|---------------|--|----------------------|
| | Insurance - 7.8% | |
| 26,000 | 21st Century Ins Group | \$ 374,400 |
| 18,650 | Clark Inc.* | 317,050 |
| 10,700 | HCC Ins Hldgs Inc. Com | 345,931 |
| 10,000 | Reinsurance Group Amer Inc | 409,700 |
| | | <u>1,447,081</u> |
| | Machine Tools - 6.7% | |
| 10,000 | American Axle & Mfg* | 368,500 |
| 7,700 | Briggs & Stratton Corp. | 519,519 |
| 12,500 | Manitowoc, Inc. | 369,750 |
| | | <u>1,257,769</u> |
| | Miscellaneous Materials -2.0% | |
| 11,450 | Cabot Corp. | 375,560 |
| | Oil - 2.2% | |
| 28,300 | Vintage Petroleum, Inc. | 414,878 |
| | Other Consumer Goods - 1.9% | |
| 10,850 | Barnes & Noble* | 353,710 |
| | Per. Care / Cosmetics - 1.7% | |
| 21,000 | Oakley Inc. | 311,640 |
| | Retailers - Other - 4.3% | |
| 17,600 | Haverty Furniture Co., Inc. | 374,528 |
| 9,400 | Regis Corp. | 417,736 |
| | | <u>792,264</u> |
| | Tobacco - 2.3% | |
| 8,300 | Universal Corp. | 421,806 |
| | Wholesale & Int'l - 3.6% | |
| 21,250 | ABM Industries, Inc. | 381,437 |
| 16,213 | AMN Healthcare Services* | 297,508 |
| | | <u>678,945</u> |
| | Total Common Stocks (Cost \$13,665,290) | <u>\$ 18,458,542</u> |

See accompanying notes to financial statements.

CORNERCAP SMALL CAP VALUE FUND

PORTFOLIO OF INVESTMENTS - (Continued)

March 31, 2004

| <u>Principal</u> <u>Amount</u> | <u>SHORT-TERM INVESTMENTS - 0.2%</u> | <u>Value</u> |
|-----------------------------------|--|------------------------------------|
| \$ 36,265 | Federated Treasury - 0.2% (Cost \$36,265) | <u>\$ 36,265</u> |
| | Total Investments (Cost \$13,701,555) (a) | <u>99.2%</u> 18,494,807 |
| | Other Assets and Liabilities, Net | <u>0.8%</u> 145,882 |
| | Net Assets | <u>100.0%</u> <u>\$ 18,640,689</u> |

**Non-income producing securities*

(a) Aggregate cost for federal income tax purposes is \$13,701,555.

At March 31, 2004, unrealized appreciation/(depreciation) of securities for federal income tax purposes is as follows:

| | |
|------------------------------------|---------------------|
| Gross unrealized appreciation | \$ 5,316,944 |
| Gross unrealized depreciation | <u>(523,692)</u> |
| Net unrealized appreciation | <u>\$ 4,793,252</u> |

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2004

ASSETS

| | |
|---|-------------------|
| Investments at market value, (Identified cost \$13,701,555) (Note 1-A) | \$ 18,494,807 |
| Cash | 146,662 |
| Interest receivable | 22 |
| Dividends receivable | 11,549 |
| Other assets | <u>11,109</u> |
| Total assets | <u>18,664,149</u> |

LIABILITIES

| | |
|--------------------------|---------------|
| Advisory fee payable | 15,640 |
| Service fees payable | <u>7,820</u> |
| Total liabilities | <u>23,460</u> |

NET ASSETS

(Applicable to 1,281,267 shares outstanding, unlimited shares authorized) \$ 18,640,689

NET ASSET VALUE, OFFERING AND REPURCHASE

PRICE PER SHARE

(\$18,640,689 ÷ 1,281,267 shares) \$14.55

NET ASSETS

At March 31, 2004, net assets consisted of:

| | |
|--|----------------------|
| Paid-in capital | \$ 13,754,187 |
| Accumulated net realized gain on investments | 93,250 |
| Net unrealized appreciation | <u>4,793,252</u> |
| | <u>\$ 18,640,689</u> |

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2004

INVESTMENT INCOME

Income

| | |
|---------------------|----------------|
| Dividends | \$ 201,802 |
| Interest income | 731 |
| Other income | <u>607</u> |
| Total income | <u>203,140</u> |

Expenses

| | |
|----------------------------------|-----------------|
| Management fee (<i>Note 2</i>) | 160,351 |
| Service fees (<i>Note 2</i>) | <u>80,176</u> |
| Total expenses | <u>240,527</u> |
| Net investment loss | <u>(37,387)</u> |

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

| | |
|--|------------------|
| Net realized gain from security transactions | 599,208 |
| Change in unrealized appreciation of investments | <u>6,295,994</u> |
| Net gain on investments | <u>6,895,202</u> |

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 6,857,815

CORNERCAP SMALL-CAP VALUE FUND

STATEMENT OF CHANGES IN NET ASSETS

Years ended March 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|
| INCREASE (DECREASE) IN NET ASSETS FROM | | |
| Operations | | |
| Net investment loss | \$ (37,387) | \$ (18,837) |
| Net realized gain (loss) on investments | 599,208 | (121,748) |
| Change in net unrealized appreciation (depreciation) of investments | <u>6,295,994</u> | <u>(4,746,271)</u> |
| Net increase (decrease) in assets resulting from operations | <u>6,857,815</u> | <u>(4,886,856)</u> |
| Distributions to shareholders from | | |
| Net investment income | - | - |
| Realized gains (\$0.13 and \$0.61 per share, respectively) | <u>(164,374)</u> | <u>(782,575)</u> |
| Total distributions | <u>(164,374)</u> | <u>(782,575)</u> |
| Capital share transactions (a) | | |
| Increase (decrease) in net assets resulting from capital share transactions | <u>(73,757)</u> | <u>1,355,222</u> |
| Total increase (decrease) in net assets | 6,619,684 | (4,314,209) |
| NET ASSETS | | |
| Beginning of year | <u>12,021,005</u> | <u>16,335,214</u> |
| End of year | <u>\$ 18,640,689</u> | <u>\$ 12,021,005</u> |

(a) Summary of capital share activity follows:

| | <u>2004</u> | | <u>2003</u> | |
|--|------------------|--------------------|------------------|---------------------|
| | <u>Shares</u> | <u>Value</u> | <u>Shares</u> | <u>Value</u> |
| Shares sold | 151,001 | \$ 1,878,818 | 419,887 | \$ 5,103,100 |
| Shares issued on reinvested of distributions | <u>11,534</u> | <u>158,381</u> | <u>77,966</u> | <u>775,760</u> |
| | 162,535 | 2,037,199 | 497,853 | 5,878,860 |
| Shares redeemed | <u>(169,847)</u> | <u>(2,110,956)</u> | <u>(401,970)</u> | <u>(4,523,638)</u> |
| Net increase (decrease) | <u>(7,312)</u> | <u>\$ (73,757)</u> | <u>95,883</u> | <u>\$ 1,355,222</u> |

CORNERCAP SMALL-CAP VALUE FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the year)

| | Years Ended March 31, | | | | |
|--|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Per Share Operating Performance | | | | | |
| Net asset value, beginning of year | \$ 9.33 | \$ 13.70 | \$ 10.80 | \$ 8.87 | \$ 9.56 |
| Income from investment operations – | | | | | |
| Net investment income (loss) | (0.03) | (0.01) | - | .06 | .06 |
| Net realized and unrealized gain (loss) on investments | <u>5.38</u> | <u>(3.75)</u> | <u>3.62</u> | <u>1.96</u> | <u>.46</u> |
| Total from investment operations | <u>5.35</u> | <u>(3.76)</u> | <u>3.62</u> | <u>2.02</u> | <u>.52</u> |
| <u>Less distributions from</u> | | | | | |
| Net investment income | - | - | (.06) | - | (.06) |
| Realized gains | <u>(0.13)</u> | <u>(.61)</u> | <u>(.66)</u> | <u>(.09)</u> | <u>(1.15)</u> |
| Total distributions | <u>(0.13)</u> | <u>(.61)</u> | <u>(.72)</u> | <u>(.09)</u> | <u>(1.21)</u> |
| Net asset value, end of year | <u>\$ 14.55</u> | <u>\$ 9.33</u> | <u>\$ 13.70</u> | <u>\$ 10.80</u> | <u>\$ 8.87</u> |
| Total Return 57.43% | (27.74)% | 34.33% | 22.91% | 5.30% | |
| RATIOS/SUPPLEMENTAL DATA | | | | | |
| Net assets, end of year (\$000) | \$18,641 | \$12,021 | \$16,335 | \$11,134 | \$11,492 |
| Ratios to average net assets | | | | | |
| Expenses | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| Net investment income | (0.23)% | (0.13)% | .01% | .54% | .53% |
| Portfolio turnover rate | 22.09% | 31.89% | 40.71% | 62.13% | 37.13% |

See accompanying notes to financial statements.

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(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.

On December 17, 2003, a long-term capital gain distribution of \$0.13 per share was declared. The dividend was paid on December 18, 2003, to shareholders of record on December 17, 2003.

The tax character of distributions paid for the years ended March 31, 2004 and 2003 was as follows:

| | <u>2004</u> | <u>2003</u> |
|--------------------------|-------------------|-------------------|
| Distributions paid from: | | |
| Ordinary income | \$ - | \$ 20,216 |
| Long-term capital gain | <u>164,374</u> | <u>762,359</u> |
| | <u>\$ 164,374</u> | <u>\$ 782,575</u> |

CORNERCAP SMALL-CAP VALUE FUND

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2004

As of March 31, 2004, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------|---------------------|
| Undistributed ordinary income | \$ - |
| Undistributed long-term gain | 93,250 |
| Unrealized appreciation | <u>4,793,252</u> |
| | <u>\$ 4,886,502</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.
- F. Reclassification of Capital Accounts** – Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended March 31, 2004, the Fund decreased paid in capital by \$37,387 and increased undistributed net investment income by \$37,387.

(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, 2004, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$3,701,125 and \$3,424,283 respectively.

Officers and Affiliated Trustees. The following table sets forth certain information about the Trust’s Officers as well as members of the Board who are affiliated with the Adviser and are therefore “interested persons” of the Trust as that term is defined in the 1940 Act:

| Name Age Address Position with Trust | Term of Office and Tenure | Number of Funds in Complex Overseen | Principal Occupation(s) during past 5 years | Other Trusteeships/ Directorships by Trustee |
|---|--|--|--|---|
| Thomas E. Quinn * 58 The Peachtree, Suite 1700 1355 Peachtree St. NE Atlanta, GA 30309 | Trustee, President, Chief Financial Officer, and Treasurer since 1992 | 3 | Chief Executive Officer, CornerCap Investment Counsel | None |
| Richard T. Bean 40 The Peachtree, Suite 1700 1355 Peachtree St. NE Atlanta, GA 30309 | Vice President of the Funds | n/a | Portfolio Manager, CornerCap Investment Counsel; Assistant Controller, Godwins, Inc. (an employee benefit plan administrator) | n/a |
| John A. Hackney 36 The Peachtree, Suite 1700 1355 Peachtree St. NE Atlanta, GA 30309 | Secretary of the Funds | n/a | Compliance Officer, CornerCap Investment Counsel | n/a |
| Gene A. Hoots 63 The Peachtree, Suite 1700 1355 Peachtree St. NE Atlanta, GA 30309 | Vice President of the Funds | n/a | Vice President of the Funds and Chairman Emeritus of the Adviser | n/a |

Independent Trustees. The following table sets forth certain information about those members of the Board who are not “interested persons” of the Trust as that term is defined in the 1940 Act (“Independent Trustees”):

| Name Age Address Position with Trust | Term of Office and Tenure | Number of Funds in Complex Overseen | Principal Occupation(s) during past 5 years | Other Trusteeships/ Directorships by Trustee |
|--|--|--|---|---|
| Richard L. Boger 56 590 Means Street, SW Suite 200 Atlanta, GA 30318 | Trustee since 1992 | 3 | President & CEO, Lex-Tek International, Inc. 1997 – present; Pres. & CEO, Export Insurance Services, Inc. 1989 – 2002 | Gray Television, Inc. |
| Laurin M. McSwain 51 Eleven Piedmont Center, Suite 806 3495 Piedmont Road Atlanta, GA 30305 | Trustee since 1994 | 3 | Attorney, Lefkoff, Duncan, Grimes, Miller & McSwain 2001 - present Attorney, Bloodworth & McSwain 1996 – 2001 | None |

The SAI includes additional information about Fund directors and is available, without charge, upon request.